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## **Southeast Asia Report**



**FOREIGN BROADCAST INFORMATION SERVICE**

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29 August 1985

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INDONESIA

JAKARTA REPORTS SIGNING OF MEMORANDUM WITH PRC

Wang Yaoting Interviewed on Trade Prospects

BK211239 Jakarta TEMPO in Indonesian 13 Jul 85 pp 16, 17

["Excerpt" of 7 July interview given by Wang Yaoting, chairman of China Council for the Promotion of International Trade to Susanto Pujomartono, TEMPO correspondent, in Singapore]

[Text] [Susanto] Do you think that the signing of this memorandum of understanding signifies the beginning of something greater, such as closer relations between the two countries?

[Wang Yaoting] The Indonesian Chamber of Commerce and Industry [KADIN] and the China Council for the Promotion of International Trade [CCPIT] have signed a memorandum of understanding, which serves as a new bridge for direct trade between Indonesia and the PRC. In the past, the two countries enjoyed excellent relations and we had direct trade links for many years. We also had good relations in other fields.

Due to certain reasons, the direct trade link was severed for some time, but I believe it will grow very fast following the signing of this memorandum of understanding, especially after the exchange of visits by KADIN and CCPIT trade delegations.

The implementation of this direct trade requires joint efforts by the two countries and I still have no idea as to what extent this direct trade link will develop. However, I believe that our bilateral cooperation has a bright future.

[Susanto] Apparently there is some concern among business circles, for example among some Japanese businessmen, that this direct trade link will affect their business. What do you think about that?

[Wang Yaoting] I think there is no need to feel concerned about this because in the past our direct trade link did not affect trade relations with them. Besides, each country has its own export-import structure.

[Susanto] Can you foresee the possibility that in the future Indonesia and the PRC will work together to cope with a problem for example protectionism in an industrialized country? In the textile trade, is it possible that we may join hands to face the United States?

[Wang Yaoting] At the moment, we have not yet thought about it and I think we can consider it later. As for the textile import quota to be imposed by the United States, we believe in the necessity of free trade and we will hold talks with the United States on this matter.

[Susanto] It has been noticed that not all quarters, including in Indonesia, have agreed to the reopening of the direct trade link. What is your opinion?

[Wang Yaoting] In my opinion, this direct trade link will be beneficial to the people, businessmen, industrialists, and entrepreneurs from the two countries. I think those who oppose the trade link have demonstrated an unfriendly attitude. As long as we all work together, we need not feel concerned over such opposition. Besides, I believe those who oppose it are in the minority.

[Susanto] If the PRC is allowed to open a trade representative office in Jakarta, do you hope that it can grow into the establishment of diplomatic ties?

[Wang Yaoting] If we can start a direct trade link, I think it will automatically be conducive to the normalization of diplomatic ties. We have no problem for this normalization of relations and if the Indonesian side has problems, we are willing to wait. I believe that the normalization of relations between our two countries is only a matter of time.

[Susanto] In Singapore, in addition to having a trade representative office, the PRC has also opened a branch office of the Bank of China and a shipping agency. Do you think that the PRC has a plan to do similar things in Jakarta?

[Wang Yaoting] It is difficult to answer this question because it depends a lot on the two governments' attitudes. In the memorandum of understanding, there is an article specifying that the two countries' central banks will appoint a certain bank to handle the trade transactions. As for shipping agencies, we have not discussed it yet. It is true that we have our bank's branch office and a shipping agency in Singapore. As for the opening of similar offices in Jakarta, it is an issue that the Indonesian Government itself must consider and decide. Now that the memorandum of understanding has already been signed, we will do our best to make the direct trade link a success.

[Susanto] What kind of commodity goods are to be traded by the two countries?



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[Wang Yaoting] It is difficult for me to specify the commodity goods to be traded in the future. Earlier, we had various goods for bilateral trade and I believe there will be a greater variety of goods for our trade. What we need in the initial stage, I believe, is mutual understanding. Besides doing business, we can also explore the possibility of expanding our cooperation in other fields, for example, in scientific and technological fields, capital investment, and joint ventures. As the PRC is now implementing its massive modernization program, we warmly welcome cooperation in those fields.

[Susanto] What about cooperation in cultural field?

[Wang Yaoting] As I said earlier, cooperation can be carried out in all fields, including sports and culture. At the moment, cooperation in sports activities is progressing smoothly and this reflects the friendship of our peoples. We have just made the first step, therefore, we must move forward.

#### PRC To Buy Indonesian Goods

HK311158 Hong Kong AFP in English 1046 GMT 31 Jul 85

[Text] Beijing, 31 July (AFP)--The first Indonesian trade delegation to visit here since 1967 has obtained Chinese commitments to buy more than 200 million dollars worth of Indonesian goods, delegation leader Sukamdani Gitosardjono said here today.

Chinese officials also accepted a request that Indonesia, which froze its diplomatic links with China in 1967, be accorded the same trade and customs arrangements as countries that have diplomatic ties with China, Mr Sukamdani said.

Since the group's arrival here on Saturday, China's trading firms have made commitments and signed letters of intent to purchase more than 200 million dollars worth of Indonesian goods including rubber, textile raw materials, plywood, sawn timber, aluminum ingots, sheet glass, cement, fertilizer, coffee and cacao, he said.

The chairman of the Indonesian Chamber of Commerce and Industry (KADIN), Mr Sukamdani said that Chinese Vice Premier Yao Yilin had given assurances of equal customs treatment yesterday during a meeting at which he praised KADIN'S "great pioneering work" in re-opening Sino-Indonesian trade relations.

The trade relations had been frozen along with diplomatic ties in 1967, when Jakarta accused Beijing of complicity in an abortive coup.

"It is indeed a great honour to be called a great pioneering effort by a great man of a great country," Mr Sukamdani told reporters here today.

He declined to say if the renewed trading ties between the two nations would open the way for diplomatic links, and said only that it was a matter between the two governments.

The Indonesians and their Chinese hosts have discussed only trade matters and Chinese officials have not attempted to raise political questions, he said.

Asian diplomats here said that direct trade was a first step towards restoration of diplomatic links sought by Beijing but Indonesian officials in Jakarta have said that the two issues are unrelated.

Mr Sukamdani said KADIN and the China Council for the Promotion of International Trade (CCPIT) had exchanged notes during the visit expressing their respective governments' approval of a memorandum of understanding on resumption of direct trade signed by the KADIN and CCPIT in Singapore on July 5.

The notes said that each government had issued instructions for the implementation of the memorandum, he said.

He said that Indonesian businessmen had committed themselves to buy Chinese capital goods and raw materials including cotton, asphalt and coal. The commitments would be finalized during an upcoming visit by CCPIT representatives to Jakarta.

The KADIN chairman declined to say how much Indonesia would be buying from China, but said that indirect trade was not balanced and that Indonesia hoped trade would be balanced in the future.

Chinese customs statistics put indirect trade between the two nations, mostly via Hong Kong and Singapore, at 242.9 million dollars last year, with Indonesia enjoying a 128.4 million dollar surplus.

Reports from Jakarta have shown the situation sharply reversed, with Indonesia facing a 216.8 million dollar deficit on a 1983 total of 232 million dollars.

Mr Sukamdani said that the question of trade balance had not been discussed during meetings with Chinese officials.

The 127-member trade group includes nine official KADIN representatives and more than 100 businessmen, with a small number of support staff.

KADIN spokesman Chris Walean said that the group was to leave here tomorrow for business discussions in Shanghai and would leave China for Indonesia on Sunday.

Asked if the large number of ethnic Chinese in the Indonesian group could spark fresh resentments in Indonesia, which has a history of anti-Chinese ethnic tensions, Mr Sukamdani said "there is no problem because we are all one nation speaking one language and there is no discrimination."



INDONESIA

PAPER HOPEFUL OF PROGRESS IN CAMBODIAN SITUATION

BK090321 Jakarta THE INDONESIA TIMES in English 2 Aug 85 p 2

[Editorial: "Kampuchea—Prospect Not So Gloomy"]

[Text] Vietnam has not yet given its official reply to the ASEAN latest peace proposal for Kampuchea as formulated by the recent ASEAN Foreign Ministers Conference at Kuala Lumpur. But in an interview with TIME's chief correspondent, James Willwerth, about three weeks ago, Vietnamese Foreign Minister Nguyen Co Thach gave an indirect reply to the proposal in which he said that Vietnamese troops would be withdrawn from Kampuchea in return for a simultaneous cutoff of Chinese aid to Khmer Rouge and a denial of sanctuary for the Khmer Rouge guerrillas in Thailand. Heng Samrin and Prince Norodom Sihanouk should negotiate a sharing of powers as part of the transitional process.

It is also understood from the interview that Pol Pot and his clique should not participate in the talks, and that the Khmer people should exercise their right of self-determination and of national reconciliation. In this process impartial international forces may participate.

For an overall settlement Vietnam envisioned an international conference which could be attended by the United States, the Soviet Union, China, Britain and France and others that have shown interest in the region.

In our opinion, the proposal envisioned by Nguyen Co Thach contains almost all substantial points advanced in the ASEAN proposal of proximity talks between the Sihanouk coalition government and Vietnam plus the Heng Samrin's government. Both of them are bridgeable provided the two sides are willing and determined to work for it and not too dogmatic in their approaches.

Sihanouk, President of the Democratic Kampuchean Coalition Government, seems to have taken a step towards that direction when he stated about three weeks ago in Beijing that he was supporting talks, indirectly between his coalition government on one side and the Vietnamese and the Heng Samrin government on the other.

But the pity of it is that, of late, Sihanouk has become mercurial in his political attitude. It makes it difficult for the ASEAN leaders and weakens their bargaining power vis-a-vis Vietnam.

It may be recalled that as soon as the ASEAN proposal was conveyed to Vietnam by the Malaysian ambassador in Hanoi, Sihanouk commented that he was extremely pessimistic about the settlement and would suffer defeat after defeat. A few days ago he threatened again to resign from his post as president of the coalition government simply because the Khmer Rouge troops attacked the Sihanoukist troops, instead of settling the internal conflict within the framework of the coalition government.

In order to make ASEAN able to face Vietnam on sure grounds Sihanouk must not be shilly shally but adopt a firm attitude.

Meanwhile, the ASEAN leaders must try to find out how far Nguyen Co Thach's interview with TIME can be considered as expressing the latest Vietnamese stand on the settlement of Kampuchea and how much it can be used to attract an official reply from Vietnam to the ASEAN proposal. ASEAN must make use of every available opportunity to make its own position and that of Vietnam meet together at an agreeable point in order to attain a just and lasting peace settlement. The recent Khmer Rouge statement that they would not participate in the post elections Kampuchean reconciliation government, may help ASEAN to make further progress towards the settlement.

CSO: 4200/1367

INDONESIA

HARMOKO ON COOPERATION ACCORD WITH UNESCO

BK081525 Jakarta THE JAKARTA POST in English 5 Aug 85 p 1

[Text] Jakarta (JP)—The Indonesian Government and UNESCO signed an Aide Memoire to foster and step up mutual understanding and cooperation in the field of communication.

The information minister, Harmoko, and the director general of the United Nations Educational, Scientific and Cultural Organization, Amadou Mahtar M'Bow, shared identical view on realization of UNESCO-sponsored projects and roles of IGC [Intergovernmental Council] in supporting the growth of developing countries, as outlined in the memorandum.

Minister Harmoko, in his capacity as the chairman of the Inter-Governmental Council for the Coordination of Information among Nonaligned Countries [IGC] said it is imperative that information infrastructures be further expanded to achieve a more just and balanced distribution of information between the developing and developed countries.

In a half-hour news conference after signing the memorandum, the UNESCO chief said the Multi-Media Training Center [MMTC] in Yogyakarta, Central Java, which he helped inaugurate will play a significant role in the country's development, and is, a high priority project deserving further U.N. assistance.

In this connection, Harmoko cited the significance of the International Program for the Development of Communication (IPDC) in channeling UNESCO assistance to various educational and training institutions in the non-aligned countries.

He added that he appreciated highly the IPDC's intention to provide assistance in the future for the Multi-Media Training Center in Yogyakarta.

M'Bow said UNESCO emphasizes the need to train as many cadres as possible in the skills of communication. He added the cadres are expected to be able to make great contributions in improving the growth of educational, scientific and cultural development through mass communication among nations.

While stressing that UNESCO is a non-financing body, M'Bow said the organization will continue to support in every possible way a new world information and communication order.

M'Bow had talks with President Suharto, Education and Culture Minister Fuad Hassan, Minister for National Development Planning/Head of the National Development Planning Agency J. B. Sumarlin, and other Indonesian officials during his five-day visit here.

Before leaving Jakarta for Paris Saturday, the director general of UNESCO said his visit to this country had given him a first-hand look at the balance between UNESCO supported projects and the current development achievements. He said he was deeply impressed with the Indonesian Expo 85.

CSO: 4200/1367

INDONESIA

DAILY URGES CLOSER TIES WITH PACIFIC FORUM

BK091157 Jakarta THE INDONESIA TIMES in English 4 Aug 85 p 2

[Editorial: "South Pacific Forum Annual Meeting"]

[Text] From yesterday the South Pacific Forum of 13 South Pacific states is holding its annual meeting at Rarotonga, Cook Islands. Except for Australia, New Zealand, and Papua New Guinea, the island states of the South Pacific are small in size and population. Nauru is the smallest of them having the size of 21 square kilometres and a population of only 8,000.

They are Indonesia's next door neighbors. Any political, security, economic and social development in those states is bound to affect Indonesia, sooner or later. As a matter of fact Indonesia has established close and friendly relations and mutually beneficial cooperation with a number of them; for instance with Papua New Guinea, Australia and New Zealand.

Some time ago Foreign Minister Mokhtar Kusumaatmaja visited a number of these island states in the effort to cement close relations with them. There had been exchange of visits between the two sides in the recent past. But in spite of the effort, Indonesia has not yet been able to forge close relations and mutually beneficial cooperation with those states. Further effort will have to be made.

The Forum Annual Meeting brings together the Heads of Governments of Cook Islands, Papua New Guinea, Niue, Nauru, Kiribati, Tavulu, Tonga, Solomon Islands, Western Samoa, Vanuata, Fiji, Australia and New Zealand. In its agenda are discussions on the great power rivalry, the United States fishing policies, security of small states and a draft South Pacific nuclear-free zone treaty. The meeting is likely to put more pressure on France to hasten the independence of New Caledonia and warn it not to make further nuclear tests at Mururoa atoll in French Polynesia.

These states are members of the United Nations and most of them are members of the British Commonwealth while a number of them are members of the Non-alignment Movement. But all of them pursue a policy of anti-nuclear weapons, nuclear war, nuclear tests and nuclear dumping and for the independence of colonised countries. This is also the policy of the Republic of Indonesia.

Another question of great interest to Indonesia is the question of economic zones and fishing rights. The fisheries industry is a sensitive subject among the Pacific island states. They have designated off-shore zones of which fishing licenses are required.

The United States has not yet recognised the economic and off-shore zones and the infringements of the zones by the United States has angered the island states. This perhaps has driven some island states like Kiribati (former British Gilbert Island) to conclude a fishing deal with the Soviet Union. When signed, the deal will give 16 Soviet fishing boats to fish in Kiribatian off-shore zone against a payment of about \$US1.75 million. The United States and some of the Forum's members have objected to this deal, but Kiribati considers it to be its sovereign right to make such decision.

The Forum's policy is to sort out its own regional issues within the region without inviting great powers to take a hand militarily. Thus, for instance, the difference over Kiribati's deal with the Soviet Union can be settled within the Forum.

Since Indonesia's interest and future are intermingled with the Forum member countries, we urge Indonesia to follow the development in that region closely and establish closer relations with them. We may even suggest that ASEAN should establish some sort of relations with the Forum.

CSO: 4200/1367



INDONESIA

DAILY ON STRATEGIC STRAITS, NAVAL BASES

BK101150 Jakarta SINAR HARAPAN in Indonesian 29 Jul 85 pp 1, 8

[Article by Correspondent Atmaji: "To Safeguard Four Strategic Straits Used by Submarines and Oil Tankers"]

[Text] In a recent interview with a defense journal, U.S. Secretary of the Navy John F. Lehman Jr said that it was necessary for his country to pay attention to the Soviet Union's continued efforts to build the naval base at the Cam Ranh Bay. The naval base in Vietnam is located not far away from several strategic straits or sea-lanes, namely the Malacca, Sunda, and Lombok Straits.

The U.S. secretary of the navy's remarks reflect the superpower's attention to the Indonesian territorial waters, particularly to the sea-lanes which constitute vital economic artery to the region. Our records show that out of the world's 121 straits, 16 of them are considered to be strategic ones. Out of the 16 straits, 4 are located in Indonesia, namely the Malacca, Lombok, Sunda, and Ombai-Wetar Straits.

By considering the number of strategic straits located in Indonesia, it is easy for us to see how heavy the Indonesian Navy's responsibility to safeguard the sovereignty and security of the country.

If a large-scale armed conflict erupts, it is certain that the four strategic straits will be the targets of one of the superpowers. By closing the Lombok Strait only, it is certain that no oil tanker heading for Japan can pass. Also, no submarines can pass the Ombai-Wetar Straits when antisubmarine ships belonging to one of the superpowers are deployed there. Above all else, if a foreign country controls the Malacca, Sunda, Lombok, and Ombai-Wetar Straits and bans all ships from the areas, it means that the link between the Pacific and Indian Oceans will be completely cut off.

During the last world war, with only 60 submarines, the German Navy was able to disrupt commercial ships' navigation and sink 121 U.S. merchant ships. If a country now wants to cut off the link between the Pacific and Indian Oceans, the task will be easier by controlling the four straits.



The current reorganization program of the Indonesian Navy is based on the potential threat to be faced by Indonesia within 5 to 10 years from now and is adjusted with the actual strength of the country's navy in deploying its warships.

The establishment of the five new naval main bases [Lantamal] to replace the old naval area commands constitutes the outcome of analysis by defense experts on future threat against the archipelagic state. Speaking to newsmen after installing three new Lantamal commanders for the eastern part of the country, Navy Chief of Staff Admiral Mohamed Romley said that the main consideration for the establishment of the new Lantamals is based on strategic purposes and future challenges.

The Tanjung Pinang Lantamal, for instance, is confronted with a possible threat coming from the South China Sea, the Malacca Strait, and the Singapore Strait. This explains why Tanjung Pinang has been selected as the headquarters of a Lantamal, instead of choosing Belawen, which has a more complete port facilities. Theoretically speaking, a naval base becomes significant only when it can provide full support to all visiting warships.

A naval base should be able to provide refuelling and provisions to any ships making port of calls. It should be able to provide adequate facilities for ship crews spending overnight and treating disabled crews up to a certain extent. Above all else, it must have a hinterland [preceding word in English] capable of supporting it in carrying out its tasks. As an example, without the existence of a prosperous hinterland, it is impossible for the naval base in Surabaya to provide logistics support to all Indonesian Navy warships stationed there.

When a joint armed forces exercise was conducted in 1981, the logistics supplies for all personnel taking part in the exercise had to be procured from as far as Malang, a town about 90 km from the naval base in Surabaya. As for the naval base in Tanjung Pinang, it is now capable of providing logistics support to all Indonesian warships operating in the region between the Natuna archipelago and the Malacca Strait.

The question now is: Do we still need full logistics support for the naval base in Tanjung Pinang just as we do for the base in Surabaya? As for warships operating in the area, the existence of a naval base near to the Natuna archipelago and the Malacca Strait is a boon for them because they do not have to operate far away from their base.

The decision to establish a completely new naval base at the Ratai Bay apparently stems from the idea to cover the "back door" for those ships not wanting to use the Malacca Strait. This "back door" is the Sunda Strait. During the last 5 years, many oil supertankers have preferred to sail through Sunda Strait, instead of the narrower Malacca Strait. Besides, traveling through the Sunda Strait does not increase their navigation time.

While it is true that the Sunda Strait is not an ideal place for nuclear-powered submarines to sail through without being detected -- the strait is only between 60 to 100 meters deep -- that does not mean that the Sunda Strait, which became famous as a result of the Krakatau volcanic explosion in 1886, has no military significance at all.

During the time Indonesia pursued a confrontation policy against Malaysia, a British Navy fleet sailed through the Sunda Strait on its way to Australia. They informed Indonesian authorities in advance about the voyage, and Indonesia could see it was meant as a "show of force" because an aircraft carrier, the pride of the British Navy at that time, was among the warships in the fleet. However, during its return from the south, the fleet of the kingdom that used to rule the waves in the seven oceans "was compelled" to sail through the Lombok Strait because Indonesian warships "happened" to hold a massive exercise in the Sunda Strait waters.

Obviously, Indonesian Navy officers were determined to counter the British psychological war and deployed almost all of its available strength -- including the cruiser "RI Irian" -- in the narrow waters separating Java and Sumatera islands. What happened almost 20 years ago proves that as a link between the Indian Ocean and the south China Sea, the Sunda Strait still has strategic value.

For this reason, the Indonesian Navy has selected the Ratai Bay, a deep water inlet, as the location of a new naval base. The base, according to a SINAR HARAPAN source, will be fully operational by the end of this century. It will also become a model of a "future naval base."

According to Navy Chief of Staff Admiral Mohamed Romly in his interview with SINAR HARAPAN some time ago, the construction of the expensive naval base will be implemented by experts from the agency for Technological Research and Applications. Romly said: "This has to be done because the construction will involve the issue of technology transfer where Indonesian experts will be directly involved."

When the "future naval base" starts its operations in the year 2000, it will become one of the most modern naval bases in this region. To be equipped with a degaussing apparatus, or an instrument to neutralize the magnetic field for the berthed ships so that the threat of magnetic seamines can be removed, and other modern facilities, the base will have more sophisticated facilities than the recently commissioned naval base in Lumut, Malaysia.

Many laypeople wonder why the Indonesian Navy has selected a place near to the volatile Krakatau volcano, instead of choosing other places like Jakarta, Bandar Lampung, or Cigading in Banten for its new naval base. The three places mentioned have long served as ports and they have hinterland to support their activities as opposed to the Ratai Bay, which is a quiet and isolated place.

The Indonesian Navy's experience with the naval base in Surabaya shows that it is very difficult to operate a naval base located next to a busy commercial port. Securitywise, it is also difficult to keep secret important preparations for an operation or the movements of a warship.

Besides being groomed to cope with potential threats in the Sunda Strait waters, the naval base at Ratai Bay is also a base nearest to the Indian Ocean.

It is true that there are two ocean ports along the western coast of Sumatera island, namely the Baii Bay in Bangkulu Province and the Bayur Bay in Padang Province, but these commerical ports cannot provide logistics support, such as ammunition, needed by a visiting warship. Such logistics facilities can later be provided by the naval base at the Ratai Bay or by the Sabang island at the northern tip of Sumatera.

Various fundamental considerations or long-term strategic considerations have made the Bitung port in Manado as another naval base selected by the Indonesian Navy, instead of the Ujung Pandang port, which already has complete facilities. Similar considerations have also been given for selecting Ambon as a naval base even though the cost of living in that town is known to be one of the highest in Indonesia, instead of selecting the Biak port.

A naval base in Ambon is able to provide logistics support for patrol boats operating in the Banda Sea, Arafuru Sea, and Maluku Sea, known to have rich marine resources and a target for foreign trawlers. The port itself is ideally located in the deep and calm waters of the Ambon Bay.

Should a sea military invasion take place in the future, what will be the role of these naval bases? "That depends on where the threat will come from," a rear admiral replied. The configuration of the territorial naval defense has at least given us some idea on how to cope with the incoming invasion.

The naval bases in Tarakan or Bitung will become forward bases when an armed conflict breaks out in the territorial waters of Makasar Strait, Sulawesi Sea, and Sulu Sea. The area involved is the continuation of a vital sea-lane from the Lombok Strait, the only sea channel that can be used by oil super-tankers of over 200,000 tons size or nuclear-powered submarines which have to descend at least 200 meters deep to avoid detection.

By the year 2000, Indonesian Navy warships are expected to be able to safeguard these vital territorial waters from any country having an interest in blocking the straits. In the respect, the naval bases in Bitung and Tarakan will be able to dispatch warships to control the situation in the area involved. If these warships sustained heavy or rather heavy damages during their encounters with the invading fleet, they can be sent for reparation at the naval base in Ujung Pandang, which have adequate facilities for repairing ships.

Being able to provide logistics support up to a certain level, the naval base in Biak is the forward base for the eastern part of the country. Any damaged ships can be sent for repair to Manokwari, which has already had a big dock since the Dutch colonial times.

Main ports with modern facilities for maintenance and repair will be the ones at the Ratai Bay and Surabaya, while Belawan and Tanjung Pinang will become repair centers with limited facilities for ships operating in the western part of the country.

An armed conflict originating in the South China Sea, the Singapore Strait, or the Malacca Strait will be the task of the forward bases in Natuna and Sabang to deal with. Small combat vessels, such as the FPB-57 produced by the naval industrial plant in Surabaya or the South Korea-made PSK type with Exocet missiles, are very useful in patrolling bases adjacent to each other in the Malacca Strait and the South China Sea, even though their radius of operational capability are limited.

It is noteworthy that in narrower straits between Tanjung Pinang and Singapore, such small vessels are more effective than the frigate-type vessels. These small vessels have no problem with their firepower because they can be equipped with antiship guided missiles capable of crippling or destroying bigger ships.

The characteristics of the western region armada will probably be as follows: naval bases located near to each other, and a dependence on fast boats equipped with guided missiles. The eastern region armada will have bigger warships, also equipped with guided missiles and supported by GAF Nomad reconnaissance planes because they have to protect vast and rich territorial waters from intruding foreign forces.

CSO: 4213/298

INDONESIA

ROMANIAN DEPUTY PRIME MINISTER ARRIVES IN JAKARTA

BK021103 Jakarta MERDEKA in Indonesian 30 Jul 85 pp 1, 11

[Text] Jakarta, Monday [29 July], MERDEKA--Romanian Deputy Prime Minister Gheorghe Petrescu and his 9-member delegation arrived at Jakarta's Sukarno-Hatta Airport on Monday afternoon for a 4-day official visit to Indonesia.

At Sukarno-Hatta Airport, Deputy Prime Minister Petrescu and his party were welcomed by State Minister for National Development Planning and Chairman of the National Development Planning Board Dr J.D. Bumarlin, several other senior Indonesian officials, the Romanian ambassador to Indonesia, and staff members of the Romanian Embassy in Jakarta.

According to MERDEKA sources at the Foreign Affairs Department, Deputy Prime Minister Gheorghe Petrescu will attend the opening of a meeting of the joint Indonesian-Romanian Commission in the office of the coordinating minister for economics, finance, and industry this Tuesday and its closing ceremony the next day.

While in Indonesia, besides paying a courtesy call on President Suharto on Wednesday, Deputy Prime Minister Petrescu will also hold talks with President Director of the State oil company A.R. Ramli, Communications Minister Rusmin Nuryadin, Trade Minister Rakhmat Saleh, Mining Minister Subroto, and Agriculture Minister Affandi.

Deputy Prime Minister Petrescu is scheduled to hold talks with Coordinating Minister for Economics, Finance, and Industry Dr Ali Wardhana, Industry Minister Hartarto, and Forestry Minister Sujarwo on Tuesday.

Before leaving Jakarta for home on Thursday, Deputy Prime Minister Petrescu and party will visit the 1985 Indonesian Production Exhibition at the National Monument Square, Jakarta.

CSO: 4213/298



INDONESIA

INFORMATION MINISTER REVOKES LICENSE OF WEEKLY

BK111433 Jakarta KOMPAS in Indonesian 3 Aug 85 p 12

[Text] Jakarta, KOMPAS--Information Minister Harmoko has revoked the publishing license of BERITA JAYAKARTA weekly published by the Jaya Foundation in Jakarta. The ruling, signed by the director general of press and graphics promotion, took effect on 30 July 1985.

The publishing license was revoked on the grounds that the weekly had violated several provisions stipulated in its license -- namely, it had changed its publication into a daily newspaper and restructured the composition of its editorial board without the information minister's prior approval.

First published in 1966, BERITA JAYAKARTA became an 8-page daily newspaper on 27 July. On its 1st day as a daily, it stated that it would focus more on the issues of rural economy and cooperatives. Before becoming a daily, it had started to employ more reporters and expanded its editorial board.

CSO: 4213/298

INDONESIA

VOMD CARRIES CPM GREETINGS TO PKI

BK081438 (Clandestine) Voice of Malayan Democracy in Malay 1215 GMT 8 Aug 85

[Greetings message from the Communist Party of Malaya Central Committee to the Indonesian Communist Party Central Committee on the occasion of the 65th anniversary of the establishment of the Indonesian Communist Party -- 23 May 1985]

[text] To the Indonesian Communist Party [PKI] Central Committee: Beloved comrades! On the occasion of the 65th anniversary of the establishment of the PKI, on behalf of all Communist Party of Malaya [CPM] members and the revolutionary Malayan people, we extend our warmest greetings to all PKI members and the revolutionary Indonesian people.

The PKI has a noble history. Since its birth, the PKI has been holding high the anti-imperialist and anticolonialist banners, developing a revolutionary heroic spirit, leading the Indonesian people in a long-term struggle, and making eternal services to achieve and defend Indonesia's national independence. The PKI is a proletarian revolutionary party which stands in the forefront of the Indonesian people's struggle. Over the past 65 years, the Indonesian Communists have undergone three difficult tests under which they have been subjected to white terror. They have made great sacrifices and accumulated rich experience. The PKI, which combines the general truth of Marxism-Leninism with the concrete practice of the Indonesian revolutionary struggle, continues to draw experience and steadfastly maintain the revolutionary struggle. Thus, the party has set an example of steadfastness and has fought resolutely.

Under extremely difficult and complicated circumstances, the Indonesian Communists are mobilizing the broad masses, uniting all patriotic and democratic forces, fighting against the fascist rule of the Suharto military regime, and launching various forms of struggle to improve the people's lives, to defend the democratic rights, and to achieve complete national independence.

We are convinced that under the leadership of the PKI, the Indonesian people's revolution will definitely overcome all difficulties and achieve a final victory. The Malayan and Indonesian peoples have maintained historically long-standing fraternal friendship. In a long-term revolutionary struggle, our two parties and peoples have been sympathizing with and supporting each other.



We are convinced that the intimate friendship and militant solidarity between our two parties and peoples will definitely be further strengthened and developed in their struggle to achieve common goals.

We sincerely hope that the PKI will continue to achieve new victories.

Long live the noble PKI!

Long live the revolutionary friendship and solidarity between the two parties and peoples, Malaya and Indonesia!

[Signed] The CPM Central Committee

[Dated] 23 May 1985

CSO: 4213/299

29 August 1985

## INDONESIA

## VOMD VIEWS INDONESIA'S POLICY TOWARD PRC, SRV

BK090249 (Clandestine) Voice of Malayan Democracy in Malay 1215 GMT 8 Aug 85

[News Commentary: "The Suharto Regime's Anti-Chinese and Pro-Vietnamese Foreign Policy]

[Text] How did the Suharto military clique come to power in Indonesia? What about its reactionary foreign policy and its fascist rule at home?

Under President Sukarno, Indonesia was a pioneer at the forefront of the anticolonialist movement. Its foreign policy of active nonalignment, anti-imperialism, and anticolonialism to defend national independence and world peace won recognition from progressive forces throughout the world. President Sukarno's efforts to sponsor the Bandung conference and advocate great solidarity among the newly emerging forces left a deep impression on all Asian, African, Latin American, and Oceanian peoples. In the wake of the 30 September coup d'etat launched by a reactionary military clique to overthrow President Sukarno, Suharto usurped supreme power to become Indonesia's second president. Ever since, the Suharto military regime has imposed its fascist dictatorship throughout Indonesia; murdered large numbers of communists, pro-Sukarno nationalists and religious leaders; systematically oppressed workers and peasants; and eliminated middle and small businessmen. The military regime has been actively flirting with the Western monopoly capitalist groups and allowing the capitalists from 10 countries, including the United States, Japan, Britain, and the Netherlands, to control Indonesia's economy. Over the past 20 years, Indonesia's national economy has basically been dependent on the sale of state oil. However, its growth remains slow. Corruption and irregularities are rampant. The people are living in extreme misery.

Contrary to the anti-imperialist and anticolonialist foreign policy practiced by President Sukarno, the Suharto military regime has surrendered itself to the imperialists, distanced itself from the Nonaligned Movement, and even invaded and annexed East Timor to crush the independence movement of the East Timor people. The regime has completely tarnished Indonesia's prestige as the homeland of the Bandung Spirit. Recently, the Suharto military regime's staunchly anti-Chinese and pro-Vietnamese attitude was condemned by people from various countries. For example, it has been making every effort to delay the normalization of diplomatic relations with China and free Vietnam from the responsibility of invading Cambodia. Thus, its reactionary foreign policy has become more visible.

Indonesia established normal diplomatic relations with China in April 1950. Relations between the two countries were close and good. After coming to power in the wake of the 30 September 1965 affair, under the pretext that China supported the efforts of the Indonesian Communist Party [PKI] to seize power, the Suharto military clique gathered a number of vandals to attack Chinese shops, residences, schools, and organizations. The regime tried to foment sentiments of racial chauvinism among the masses through this anti-Chinese campaign and persuade them to support its military regime and its oppression of the PKI. Later, the Suharto military regime mobilized terrorists to attack Chinese consulates in various cities in Indonesia. Finally, its mobilized plainclothes servicemen and vigilantes to storm the Chinese Embassy in Jakarta under the cover of armored vehicles and wounded employees of the embassy. Its anti-Chinese terrorism was so virulent that the Suharto military clique unilaterally froze diplomatic relations between the two countries on 1 October 1967 [as heard] disregarding the Chinese Government's protest.

Over the past 18 years, there has been no evidence that the Chinese Government was involved in the September 1965 coup d'etat. Various domestic circles have called for an immediate normalization of diplomatic relations with China. However, the Suharto military clique has refused to do so. In this regard, some high-ranking Indonesian government leaders such as former Vice President Adam Malik who died recently and former Greater Jakarta Mayor [title as heard] Ali Sadikin openly expressed their regret.

In recent years, petroleum sales which have become Indonesia's major export, have been affected by a decline in oil prices in the world market. Its foreign trade has been seriously hit. As a result, national businessmen continue to call for a normalization of relations with China so that direct trade can be opened.

The Suharto military regime is widely isolated among Third World countries as a result of its reactionary foreign policy. To improve its prestige, the Suharto military regime invited delegates from more than 82 countries and regions to attend a commemorative gathering marking the 30th anniversary of the Bandung Conference at the end of April in Bandung. Even though the Suharto military clique was forced to invite Chinese Foreign Minister Wu Xueqian to attend the gathering, it continues to refuse to normalize relations between the two countries. Suharto even said that the reopening of direct trade between the two countries does not necessarily mean that the frozen diplomatic relations will be normalized at any time.

In the past, the Suharto military regime continued to claim that China supported the PKI efforts to seize power. The people have long been bored with this baseless slander. In recent years, the Suharto military clique has been raising a new anti-Chinese outcry against China. The public remembers that the peoples in this region condemned Soviet hegemonism for its invasion of Afghanistan and support for the Vietnamese invasion of Cambodia. However, through its propaganda machinery, the Suharto military clique insists that a real threat to this region comes not from the Soviet Union but rather China because China is geographically closer. When the

peoples in the region together condemned Vietnam for threatening the sovereignty and security of Southeast Asian countries, the Suharto military clique adopted a contradictory attitude that China poses a greater threat than Vietnam because China is stronger than Vietnam. All this shows how the military regime has ignored reality and acted recklessly to damage the friendship between the Indonesian and Chinese peoples.

Following the gathering to commemorate the Bandung Conference at the end of last April, Suharto's secretary shouted again that Indonesia will not normalize relations with China unless China states that it will not support communist guerrillas in Southeast Asian countries and so on. This shows that the Suharto military regime is only making up stories to justify its anti-Chinese policy. Relations between China and other Southeast Asian countries are a different issue. How can it mix this issue with diplomatic relations between China and Indonesia? Furthermore, the Chinese Government has on many occasions reiterated that the internal affairs of these countries, including armed struggles, are their own internal affair and that China will never interfere. Naturally, international diplomats disagree with the Suharto military clique's wrong stand by pointing out that more than 100 countries around the world have their own political views. For example, the United States as the number one anticommunist country has established normal diplomatic relations with China. Is there any reason for Indonesia to continue to freeze its relations with China?

The Suharto military regime officially opposes the Vietnamese invasion of Cambodia, but supports it implicitly. Returning from a visit to Hanoi last April, Foreign Minister Mokhtar Kusumaatmaja brought back a so-called Vietnamese 5-point peace proposal to talk nonsense on behalf of Vietnam. At the same time, the Vietnamese defense minister visited Indonesia. The two countries have reportedly signed a military cooperation agreement. Simultaneously with the news of the Indonesian-Vietnamese military agreement, world news agencies reported on Indonesia's proposal that the United States normalize diplomatic relations with Vietnam. This Indonesian action was immediately condemned by world public opinion which has questioned Indonesia's motives in worrying about the fate of the isolated aggressor and hastily calling for relations with a country now occupying Cambodia and violating the Thai border. Thai public opinion unanimously expressed anger at and condemned Indonesia as an ASEAN member country for acting in favor of the Vietnamese aggressors rather than contributing to regional peace and security. Moreover, Suharto and Lee Kuan Yew issued an outrageous joint communique during the latter's visit to Indonesia in early April. In addition to bilateral relations and unimportant international issues, the joint communique centered on the Indochinese issue. The communique said that Vietnam should not be isolated to prevent it from lagging behind China, adding that ASEAN should take continued steps to ensure that Vietnam will not be an aggressor and expansionist. In fact, the joint communique tried to free Vietnam from its stigma and even help Vietnam overcome its difficulties to oppose China more actively. The joint communique further exposed the reactionary nature of Lee Kuan Yew and Suharto. The Thai people, who are directly threatened by Vietnam, greatly regretted the joint communique. THAI RAT, a Thai newspaper with the largest circulation, immediately spoke against the untrue statement of Lee Kuan Yew and Suharto.

The Suharto military regime's reactionary foreign policy is a continuation of its domestic policy of frantically imposing an anticommunist and antipeople fascist dictatorial rule in Indonesia. The Indonesian people staunchly hate the Suharto military regime's rule.

We are convinced that under the leadership of the PKI, all Indonesian patriotic and democratic forces will definitely unite to prevent the implementation of the Suharto military regime's reactionary policies and end its fascist rule.

CSO: 4213/299

INDONESIA

BRIEFS

**THREE AMBASSADORS PRESENT CREDENTIALS**--President Suharto received credentials from three new ambassadors in Jakarta on 27 July. They were Rudra Srichandra Rajasingham of Sri Lanka. Zeki Abdul Hameed Al-Haba of Iraq, and Ramia Abdiwawa of Tansania. [Summary] [Jakarta MERDEKA in Indonesian 25 Jul 85 pp 1, 12 BK]

**JAPANESE AID GRANT**--On behalf of their respective governments, Japanese Ambassador to Indonesia Toshiaki Muto and Director General of Foreign Economic Relations Atmono Suryo signed in Jakarta on 26 July a diplomatic note on a grant aid of 2.6 billion rupiah from the Japanese Government. The grant is for the construction of a main building for telephone international transmission center in Bandung. [Summary] [Jakarta Domestic Service in Indonesian 0700 GMT 26 Jul 85 BK]

**PRAGUE-JAKARTA DIRECT FLIGHT**--A press release of the Czechoslovakian Embassy in Jakarta said on 25 July that Czechoslovakian System Airlines [CSA] will reopen direct link between Prague and Jakarta. The plane will arrive in Jakarta via Bombay and Hanoi every Wednesday and will depart on (?Thursday) for Prague via Bombay and Larnaca. CSA began its flights to Jakarta in the sixties, but the service was stopped due to the high price of fuel. [Summary] [Jakarta International Service in English 0800 GMT 26 Jul 85 BK]

CSO: 4200/1367



MALAYSIA

COMMENTARY CALLS ON SIHANOUK TO STAY ON

BK021017 Kuala Lumpur International Service in English 0800 GMT 2 Aug 85

[Unattributed commentary]

[Text] Reports that the head of the tripartite Coalition Government of Democratic Kampuchea has threatened to give up his position have given rise to many appeals asking Prince Norodom Sihanouk not to leave. The Malaysian foreign minister, Tengku Ahmad Rithauuddeen, has stated that the prince is important for the Coalition Government of Democratic Kampuchea. Doubtless, there are bound to be problems and difficulties in any coalition governments. In Democratic Kampuchea's case, the situation is even more complex as the three parties to the coalition are ideologically radical supporters of three different political philosophies. While the Khmer Rouge bring together the more left-wing elements, the faction headed by Son Sann is inclined to traditional liberalism, while Prince Sihanouk's group can be described as neutralist. To sustain the goal of a Kampuchean nation while so much of the national territory is occupied by an aggressive neighbor is a superhuman task. And yet, as the Malaysian foreign minister has pointed out, only Prince Norodom can assume the role of a head of state who can be a focus of loyalty and belief in the ideals of a united Kampuchea.

Unlike other Kampuchean politicians, the prince has had varied political and diplomatic experience apart from being a very likeable and colorful personality. During his previous career as head of the former Cambodia, he became well-known and respected in even far away countries like the former French colonies in Africa. He has always been a staunch supporter of the Nonaligned Movement and is still committed to that ideal particularly after the horrible experience of the Kampuchean people during the Vietnam War.

Today, the Vietnamese aggressors occupy his beloved country and its capital city. The prince may be likened to the European monarchs who lived in exile when their countries were overrun by the Nazi (?hordes) in World War II. That was also the experience of Emperor Haile Selassie of Ethiopia. Finally, those countries were liberated, and they became sovereign nations all over again. What keeps the flame of freedom alive and burning for many patriotic



Kampuchean leadership of Prince Sihanouk. If the prince were to relinquish his position now, it would not in any way serve the cause of Kampuchean nationhood. The Vietnamese would seize the opportunity to consolidate their hold on the country, and many patriots would be demoralized.

Reports have been appearing in the media of the Prince's dissatisfaction with the Khmer Rouge. But, as the Malaysian foreign minister has pointed out, the parties concerned must continue to work together to reach a solution to the Kampuchean problem. The Khmer Rouge had a rather unsavory past in the 1975 to 1979 period in Kampuchea, but they still remain the strongest of the three factions in Democratic Kampuchea. Malaysia looks forward to the continued leadership of Prince Norodom Sihanouk and a peaceful settlement of difference between the coalition partners.

CSO: 4200/1368

MALAYSIA

COUNSEL SAYS TUN MUSTAPHA STILL SABAH CHIEF

BK080945 Kuala Lumpur NEW STRAITS TIMES in English 7 Aug 85 p 2

[Article by Ravi Nambiar]

[Text] Kota Kinabalu, Tues--A Queen's Counsel told the High Court today Tun Datu Mustapha Datu Harun is still the Chief Minister of Sabah as he has not resigned from the post after being appointed on 22 April.

Mr Raymond Kidwell said Tun Mustapha's dismissal by the Yang di-Pertua Negeri [state governor] Tun Haji Mohammad Adnan Robert, was not valid as the Sabah Constitution did not contain anything about such powers.

The dismissal was ultra vires the Sabah Constitution and it was, therefore, the key issue to be decided upon by the court.

He was representing USNO [United Sabah National Organization] President Tun Mustapha who is seeking a declaration that Datuk Joseph Pairin Kitingan's appointment as the chief minister was unconstitutional.

The writ further seeks to declare that Tun Mustapha is the rightful chief minister and that Tun Mohammad Adnan's revocation of his appointment was ultra vires the State Constitution, null and void and of no effect.

It names Datuk Pairin and Tun Mohammad Adnan as defendants.

Mr Kidwell, in submitting against a preliminary objection yesterday by counsel for Datuk Pairin, Mr Dominic Puthucheary, said Tun Mustapha had no opportunity for a vote of confidence from the State Assembly.

Tun Mustapha, he said, had managed to bring his case to the High Court and "the court could hear and decide on the case."

On the question of Tun Mohammad Adnan appearing in court, he said the Yang di-Pertua's credibility, state of mind and purported actions of good faith on 22 April would not be subject to cross-examination.

Mr Kidwell said Tun Mohammad Adnan had, however, made allegations that Tun Mustapha and his supporters were guilty of threatening and terrorizing him into appointing Tun Mustapha as chief minister. Tun Mohammad Adnan would have to be called for cross-examination, he said.

The court was packed with hundreds of USNO supporters at the second day of hearing before Mr Justice Tan Chian Thong.

The court will decide on whether it has the jurisdiction to hear and decide the case. This follows the preliminary objections raised by the defendants yesterday.

Mr G. Sri Ram is also appearing for the plaintiffs while State Attorney-General Datuk Herman Luping is appearing for Tun Mohammad Adnan.

Senior Federal Counsel P. M. Mahalingam and Dr Yaacob Merican are both holding a watching brief for the Inspector-General of Police and former Chief Minister, Datuk Harris Salleh, respectively.

In outlining the facts of Tun Mustapha's appointment as chief minister, Mr Kidwell said he was sworn in between 5 a.m. and 5:30 a.m. on 22 April after USNO and Berjaya had formed a coalition with 22 state assemblymen.

USNO won 16 seats and Berjaya six in the April elections.

With the six nominated assemblymen, Tun Mustapha would have enjoyed a majority in the State Assembly.

Tun Mohammed Adnan, however, changed his mind in the afternoon and issued a letter to dismiss Tun Mustapha as chief minister as he alleged that he (Tun Mustapha) did not enjoy the confidence of the majority in the House.

The hearing continues.

CSO: 4200/1368

MALAYSIA

BRIEFS

PRIVATE TELEVISION EXPANDS COVERAGE--The general manager of the Malaysian Television System Limited, Mohamed Ngah Saleh, says TV 3 will expand its coverage to Johor Baharu and Ipoh as of 1 November 1985. The private television is trying to expand its telecast to Penang and Kedah. [Summary] [Kuala Lumpur Domestic Service in Malay 1230 GMT 23 Jul 85 BK]

VIETNAMESE REFUGEES--A report from the United Nations High Commissioner for Refugees in Bangkok on 24 June said that the number of Vietnamese refugees coming into Malaysia last May was double that of the previous month. It said that a total of 1,563 illegal immigrants from Vietnam landed in Malaysia by boat. Meanwhile, the departure of refugees for resettlement in third countries last May further declined from 767 to 575. More than 6,000 Vietnamese refugees were in Malaysia last month. [Summary] [Kuala Lumpur Domestic Service in Malay 1230 GMT 25 Jun 85 BK]

UNIDENTIFIED SUB NEAR KALANTAN--The marine police and the Royal Malaysian Police air unit are trying to detect an unidentified submarine which was reported to have surfaced in the waters off Tumpat, Kelantan State on 27 July. The submarine is said to have violated the country's territorial waters and surfaced in an area of local fisherman at about 1630 on 27 July. A marine police spokesman in Tumpat confirmed that the marine police were conducting patrols to detect the unidentified submarine. According to the spokesman, the local fishermen made a report to the special branch police that they were confronted by an unidentified submarine near the South China Sea in Kelantan State waters. [Text] [Kuala Lumpur BERITA HARIAN in Malay 3 Aug 85 p 1 BK]

NEW FRENCH, OTHER AMBASSADORS--His majesty the king received credentials from the new French ambassador to Malaysia, Mr Jean Perin, at the national palace on 8 August. His majesty expressed Malaysia's desire to be France's cooperative ally and this will be beneficial to both nations. He said that Malaysia is satisfied with the educational and technical cooperation program. In his reply, Mr Perin said that France welcomes Malaysia's effort in ASEAN and also respects it for making efforts to overcome international issues through dialogue. Meanwhile, two new Malaysian ambassadors and high commissioners received their letters of appointment from his majesty on 8 August. They are Mr Zainal Abidin bin Alias, the ambassador to Bahrain

and Qatar while Datuk Ajib Singh is the new ambassador to the United Arab Emirates. Mr Mohamed Harun has been appointed as the Malaysian high commissioner to India while Mr Zainuddin Abdul Rahman becomes the high commissioner to Bangladesh. [Summary] [Kuala Lumpur Domestic Service in Malay 1230 GMT 8 Aug 85 BK]

**APPOINTMENT OF SECRETARY GENERALS**--The chief secretary to the Malaysian Government announced in a press statement released in Kuala Lumpur on 6 August that the former Trade and Industry Ministry secretary general, Datuk Azizan Zainal Abidin, was appointed as the Home Affairs Ministry secretary general. Datuk Azizan is replacing Tan Sri Roshan Kuntom who was transferred to the public services department assuming the post of director general effective 1 August. The appointment of Datuk Ahmad Sarji Abdul Hamid as the new Trade and Industry Ministry secretary general was also announced. [Summary] [Kuala Lumpur Domestic Service in Malay 1230 GMT 6 Aug 85 BK]

**PRC AIR AGREEMENT DENIED**--The Malaysian Airline System--MAS--has denied the existence of any air services agreement between Malaysia and China. Its managing director, Datuk Abdul Aziz Abdul Rahman, said such an accord would only be reached based on a governmental decision. MAS, he points out, would only consider having direct flights between Malaysia and China if there is a relaxation of the restriction on people traveling between the two countries. Datuk Abdul Aziz was speaking to newsmen after presenting scholarships to 41 children of MAS employees. At present Malaysians traveling to China have to obtain special permission from the authorities before they fly to Hong Kong. From there they have to take another flight to China. [Text] [Kuala Lumpur International Service in English 0800 GMT 10 Aug 85]

**CULTURAL TALKS WITH PORTUGAL**--Malaysia has agreed to sign two agreements on cultural and scientific as well as technical cooperation with Portugal. The understanding was reached during the visit of the minister of foreign affairs, Tengku Ahmad Rithauddeen, to Portugal. [Excerpt] [Kuala Lumpur International Service in English 0600 GMT 25 Jun 85 BK]

**TRADE SURPLUS DOUBLES**--According to figures just released by the Statistics Department, Malaysia doubled its trade surplus to 1.29 billion ringgit in the first 2 months of this year as opposed to 588.8 million ringgit in the same period last year. Malaysia's exports to Japan, its biggest trading partner, were valued at 1.52 billion ringgit. Japan, which normally enjoys a trade surplus with Malaysia, recorded a deficit of 440 million ringgit, largely due to increasing purchases of liquefied natural gas. [Summary] [Kuala Lumpur Domestic Service in English 1130 GMT 25 Jun 85 BK]

**PENINSULAR MALAYSIA TRADE SURPLUS**--According to the statistics department, peninsular Malaysia recorded a trade surplus of M\$ [Malaysian dollars] 249.7 million in the first 4 months of this year and this is an impressive improvement compared with the deficit of M\$160.5 million for the same period last year. The total exports rose 8.7 percent to M\$10,200 million from M\$9,380 million during the period. Total imports increased 4.1 percent to M\$9,940 million from M\$9,540 million. The exports of crude oil and petroleum products

dropped marginally to M\$1,820 million but crude palm oil reaped in M\$1,640 million in revenue. This is an increase of M\$400 million. The total export of manufactured products rose to more than M\$1,000 million from about M\$954 million during the same period. [Summary] [Kuala Lumpur International Service in English 0600 GNT 30 Jul 85 BK]

ENVOY TO MALI DIES--Kuala Lumpur, Thurs (BERNAMA)--The Malaysian Ambassador to Mali, Encik Zainal Haji Lembang, 44, died this morning at his residence in Damansara Heights from cancer. [Excerpt] [Kuala Lumpur NEW STRAITS TIMES in English 26 Jul 85 p 5 BK]

CSO: 4200/1368



29 August 1985

## NEW ZEALAND

## GREENPEACE PLANS ANTINUCLEAR RENDEZVOUS OFF MURUROA

HK120134 Hong Kong AFP in English 0119 GMT 12 Aug 85

[Text] Auckland, 12 Aug (AFP)--A Greenpeace anti-nuclear flotilla will rendezvous in about one month's time off Mururoa atoll in the South Pacific to protest against French nuclear tests, a Greenpeace spokesman said today.

The first ship in the peace fleet, a flat-bottomed sailing vessel called "Alliance," has already left Auckland. The "Alliance," which has a crew of seven, will be followed next Saturday by the "Yachts Vega" with five people aboard and "Verangian" with a crew of three.

Two other vessels, "Breeze" and "Shiloh," are "trying to get their act together" but are not certain to leave before the end of this month, spokesman Steve Sawyer said.

All the boats in the fleet will make the 3,000-kilometre (1,860-mile) passage to the French underground nuclear testing site at Mururoa under sail.

After reaching the 12-mile (19.2-kilometre) limit the fleet will spread out around Mururoa atoll but further tactics for the protest have not yet been decided, Mr Sawyer said.

The French authorities have suspended the right of free passage through the territorial waters of Mururoa and the adjacent atoll of Fangataufa where two atmospheric nuclear tests were conducted in the 1960's.

The Greenpeace protest at Mururoa has been delayed by the bomb attack last month which sank the Greenpeace flagship "Rainbow Warrior" in Auckland harbour. The "Rainbow Warrior" was to have led the peace [word indistinct] act as a mother ship for the smaller yachts.

Mr Sawyer dismissed speculation in the French press that the "Rainbow Warrior" had been bombed by French secret services because it carried equipment capable of monitoring a French neutron bomb test at Mururoa.

"No such machine could possibly exist that could distinguish between a neutron bomb and another explosion unless sensors were placed in the cavity itself," he said.

The Greenpeace spokesman said that the "Rainbow Warrior" carried standard VHF for short-range communications. It was also intended to carry a photo transmitter aboard the "Rainbow Warrior" for use with the radio equipment.

Mr Sawyer said that the "Rainbow Warrior" had been under water now for one month and he was not hopeful that it would ever sail again.

He said that the Greenpeace organization had not taken up any of the offers of replacement craft because Greenpeace had to "operate on a shoestring" and had to think carefully before making such a commitment.

CSO: 4200/1366

NEW ZEALAND

COLUMNIST ON WORSENING TIES WITH ASEAN

HK060305 Wellington THE EVENING POST in English 31 Jul 85 p 6

["Commentary" by Bruce Kohn: "ASEAN Shows New Wariness in Dealings With New Zealand"]

[Text] When elements of mistrust enter into diplomatic dealings the seeds are sown for future wrangling which can impinge on a whole range of a nation's dealings abroad.

It is for this reason that grounds exist for a close scrutiny of what is going on in the conduct of New Zealand's relations with those countries with which it has had a long and close association.

The troubles in bilateral dealings with the United States are well known. The depth of resentment within the Australian Government at New Zealand's anti-nuclear stance is less well known but perhaps more critical to the future of New Zealand development.

Shook

But the extent to which Wellington's relationship with the six-nation ASEAN grouping is deteriorating gives cause for added concern.

There are a number of reasons. The first stems from the stand taken against U.S. nuclear-capable ship visits. This shook Southeast Asian confidence in New Zealand as a reliable and consistent friend in the sense of both strategic and economic development.

Strategically, it made sense to the ASEAN countries--Thailand, Malaysia, Singapore, the Philippines, Indonesia and Brunei--that New Zealand stood closely aligned to the United States as part of umbrella security arrangements stretching, in effect, from San Diego through Honolulu to Wellington, Singapore, Bangkok, Tokyo and Manila.

Perceptions were that one rib in the umbrella defense coverage of the region had, at best, bent, at worst, snapped.

If Wellington was prepared to risk a breakdown of security arrangements with the United States, then how strong were its commitments to strategic cooperation with Southeast Asia ran their thinking, according to ASEAN officials.

The governments of the six became aware of dealings between the United States and Wellington which, according to these sources, called into question as far as ASEAN was concerned the credibility of New Zealand statements.

The dealings involved exchanges between Washington and Wellington over the proposed visit of the "USS Buchanan."

High-level sources with a knowledge of negotiations said U.S. officials first negotiated with the Foreign Ministry on the text of a formal note to be delivered to the government. Wording was settled and a formal note dispatched. The New Zealand Government then sought further information from the United States.

A rough draft of the reply to this was also checked with the Foreign Ministry. Amendments were made after discussions and then a second formal note given to the New Zealand Government.

These exchanges led to a belief that prospects were strong that the portcalls issue, at least as far as the "Buchanan" was concerned, would be settled. The reason for the belief was that if New Zealand was prepared to enter into such exchanges on the text of the formal note, agreement on its wording indicated a willingness to accept what was set out [word indistinct].

It was after this second note, agreed in negotiation, was sent in by the United States that the New Zealand Government amended its anti-nuclear policy to exclude nuclear-capable vessels--a move which effectively ruled out the visit by the "Buchanan."

Subsequent American concern about the "good faith" of the New Zealand Government rubbed off in the views ASEAN and Japan held about the direction New Zealand foreign policy was heading, according to Asian sources.

Subsequently, they said, the preeminent New Zealand action on trade preferences for Singapore and Brunei added to the doubts ASEAN ministers felt about the course of New Zealand policy.

Negotiations on this issue have been carried out. As for the direct trade difficulty, the issue has been resolved. But again, in the view of ASEAN authorities, the feeling that Wellington may reflect less sensitivity than previously to their concerns was given credibility.

Impetus was provided by reports reaching ASEAN capitals, these sources said, that the Deputy Minister of Foreign Affairs, Mr O'Flynn, considered the grouping unnecessarily overbearing in the demands for diplomatic support it placed on New Zealand.

## Massive

It may be that Mr O'Flynn does not believe this to be the case. But what is important is that ASEAN governments do not, in the words of Asians with a close knowledge of events to date, see him, and through him the New Zealand Government, as a close friend, sensitive to the issues they confront. Among these issues are the massive Vietnamese presence in Cambodia (Kampuchea) along the Thai frontier and the build-up of a Soviet offensive capability in Vietnam.

These Asians say the situation in the Philippines is of much more concern to ASEAN governments than the perceptions now held of New Zealand as a less-than-wholly dependable partner.

Australian authorities in Canberra are well aware of the state of ASEAN-New Zealand relations. In this climate they are seeking to exploit in trade terms the greater feeling of trust that now exists between Canberra and ASEAN, when once, according to ASEAN officials, there was a stronger leaning towards Wellington than Canberra.

It is not difficult for ASEAN governments to nudge their major buyers towards a preference for goods from one country rather than another. And it is devilishly difficult to counter, involving as it does no more than a word or two in the right ear.

Perhaps a key point in the situation is that ASEAN governments do not yet see in the present government a desire to develop and promote New Zealand-East Asian links as strong as that it had been accustomed to during the days of Norman Kirk, Brian Talboys and Warren Cooper.

These individuals forged personal bonds with ASEAN leaders which helped in smoothing out the path of relationships. Each was perceived within ASEAN to have a strong commitment to come to an understanding of Southeast Asian aspirations, worries and problems and to work for New Zealand to act as a partner in dealing with them.

It is this sense of partnership which seems in danger. And given the economic growth showing up through the region, there is a case to be made for the government to work at ensuring elements of mistrust do not foster further difficulties.

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NEW ZEALAND

OECD, IMF GRANT HIGH MARKS ON ECONOMY

Auckland THE NEW ZEALAND HERALD in English 28 Jun 85 p 1

[Text] The Organisation of Economic Co-operation and Development and the International Monetary Fund have given the Government high marks in their latest reports on the management of the New Zealand economy.

Examiners attached to both organisations have completed their first assessments since the snap election last year after visits to New Zealand in March.

Both reports are now with the Government and the analysis of the economy by the OECD is expected to be made public next month.

The IMF report, completed at a meeting in Washington on June 10, will not be published, in accordance with strict IMF rules.

However, both reports are believed to offer a warm endorsement of the Government's moves to deregulate the economy; to reduce the internal deficit; and to adopt a firm monetary policy.

They are understood to reflect the prevailing view in the Western world's economic establishment that market-oriented policies present the best route to sustainable economic growth.

Of the two reports, the OECD document is traditionally more general in nature and the subject of some negotiation between New Zealand officials and executives of the so-called country studies division of the Paris-based organisation.

**Examiners**

Representatives of the 24 OECD countries considered a draft report on New Zealand at a meeting in Paris in May, when Australian and Irish economists chosen as chief examiners led the questioning of three Treasury and Reserve Bank officials.



The New Zealand delegation had an opportunity to argue later for changes to be made to the final report at a meeting with members of the OECD secretariat.

Such sessions have been the scene of fierce debate in the past, with countries strenuously seeking a more favourable verdict on their respective economic policies.

### **Final Report**

However, the meeting in May is understood to have been straightforward, dealing mainly with matters of fact and clarification.

In its final report, the OECD is understood to have acknowledged action taken by the Labour Government in line with advice tendered in its previous report in May 1983.

The OECD was then urging New Zealand to adopt steady and consistent policies to correct sizeable imbalances in the economy.

It called for a more competitive domestic trading environment, requiring a gradual reduction in protective devices such as import controls.

"It is essential to wind back substantially the increase already built into the budget deficit," said the OECD suggesting limits be placed on important expenditure items such as the generous national superannuation scheme.

### **Reserve Bank**

The IMF report for 1985 was based on a 10-day visit to New Zealand by English, Indian, Cypriot and American economists who focused on the Government's monetary policy and balance of payments and exchange rate issues.

Their report, delivered first to the IMF board in Washington, was not open to negotiation by New Zealand officials, although a Reserve Bank official, Mr Bruce White, spoke at the meeting.

Like the OECD report, the IMF report is understood to credit the Labour Government with acting in tune with previous recommendations.

During the snap election last year, publication of part of an IMF report upset the National Government.

It criticised the level of Government intervention in the economy and said a devaluation would almost certainly be needed to the medium term.

### **Determined**

"The process of freeing up the economy from the present multitude of controls offers ... the surest path to better economic performance," said the report.

The IMF called for "sustained and determined efforts" to reduce the internal deficit, by cutting expenditure and raising indirect taxes.

"New Zealand has clearly joined the ranks of those countries with very high fiscal deficit, allowing room for only unattractive policy options."

The IMF said the country's problems had been exacerbated by the Government's reluctance to allow an increase in interest rates, and urged a return to unregulated rates.

CSO 4200/1371

NEW ZEALAND

GOVERNMENT ECONOMIC HANDLING CRITICIZED

Christchurch THE PRESS in English 27 Jun 85 p 12

[Article by W. Rosenberg, former reader in Economics at University of Canterbury:]

Euphoria is a feeling of well-being which frequently -- deceptively -- fills the minds of people who are mortally sick, soon before their final demise.

The complete absence of any reference to New Zealand's drastic, chronic, and always deteriorating foreign payments position in either the recent Budget or the eulogy of the Government's economic theories and policies recently published in "The Economist," appears to reflect such a state of euphoria.

The abolition of exchange controls, the permission to pay and receive interest rates exceeding anything previously known, and the "floating" of the New Zealand exchange rate have led to a situation where New Zealand's foreign payments crisis has been swept under the carpet. While the Government assures the public that "the overseas debt is now under control . . . the debt stops here" the fact is that New Zealand's foreign indebtedness has escalated at unprecedented rates during the last year and that this disastrous growth shows no sign of slowing down.

What is happening is that some of the foreign debt growth is being privatised -- it is private firms and financiers who do the borrowing rather than the Government. The result of this course is that interest obligations are even higher than if the Government was borrowing; the control which the Government can exercise on be half of the economy as a whole is absent. Thus foreign borrowing -- partly replacing internal borrowing -- is escalating.

In fact, New Zealand is taking the route of Mexico, Brazil, the Argentines, and similar countries following the prescription of economic freedom.

What has changed is not the fundamental disequilibrium in New Zealand's international economy. The change is that permission has been given to private firms and financiers to borrow unlimited amounts (not minimum and no maximum) at uncontrolled interest and "floating" exchange rates. This money can be taken out again. Foreign capitalists have the opportunity now in many instances to obtain high returns from lending "short" while New Zealanders are borrowing "long."

Examples of some longer term privatised loans that are reports ("The Press, "June 8): "since May 31, four borrowers have launched a total of \$NZ215 million (Euro) bonds, bringing the total this year to more than \$400 million"; and items in "The Press" on June 11, 12, and 13: the Finance Corporation of New Zealand, Ltd, is floating an \$Aust25 million Eurobond guaranteed by Brierley; Equiticorp reported that, since balance date, \$60M in short term funds have been replaced by two five-year loans raised overseas; and Fletcher Challenge has funded itself through a \$NZ222 million Euro-note issue.

At the same time, advertisements appear in "The Press" offering "offshore loans' minimum \$250,000."

This rapidly growing private international debt can now be serviced out of the exchange earnings of the very firms that borrow -- leaving in the end little or nothing for the rest of the economy when a severe exchange crisis hits New Zealand.

In addition, there has been the flood of day-to-day money from abroad which has been used to buy short-term Government bills and deposits in banks and finance companies. The latest-figures for the February year, 1985 (Reserve Bank Bulletin, May, 1985) show Government borrowing of \$2.2 billion and private borrowing of \$1.8 billion. Since then the private share has risen further.

To repeat, the Government lives in a world of delusion if it thinks the temporary hiding of out foreign exchange shortage by privatisation of borrowing is equivalent to a situation where, in the words of the Deputy Prime Minister, Mr Palmer, "the overseas debt is now under control."

The basic disease can be described in terms of three decades of balance of payment deficits and the 12 months to March, 1985, shown in table 1.

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Table 1

New Zealand Foreign Exchange Deficit in \$NZ million  
(current account of balance of payments)

1954/5 to 1963/4	311
1964/5 to 1973/4	578
1974/5 to 1983/4	8145
12 months 1984/5	2600

Sources 1954/5 to 1983/4, Department of Statistics; 1984/5, Budget Part II p.20.

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For 1985/86 the doubtlessly over-optimistic balance of payments estimate in the budget is \$2100 million.

There are three ways of coping with the problem of such a disastrous international payments position. These are: reduce out-payments; or increase in-payments; or reduce out-payments and increase in-payments.

The gradual and now complete reduction of import and exchange controls has led to a situation where out-payments are increasing rapidly. Emphasis is put almost exclusively on exporting to increase in-payments. The result of these policies is the escalating balance of payment deficits shown above.

The situation is more clearly illustrated if we remember that it is essentially our exports which must pay for our imports and for the rapidly escalating burden of "invisibles" (interest and profit due overseas plus commissions and royalties, licences, management expenses, and travelling, freight and cartage).

In fact, we now export less than we import, having nothing left to pay for "invisibles." We have to borrow to pay interest on the borrowing which we must incur to pay for excess imports and invisibles, as shown in Table 2.

Table 2

"Visible" Trade Surplus (+) or Deficit (-) 1954 to 1985 in  
\$NZ million

1954/5 to 1963/4	+ 573
1964/5 to 1973/4	+1760
1974/5 to 1976/7 (3yrs)	-1601
1977/8 to 1980/1 (4yrs)	+1518
1981/2	- 28
1982/3	- 117
1983/4 (June year)	- 396
1984/5 (March year)	-1113

Sources: For 1954 to 1983, Department of Statistics; 1983/4 and 1984/5, External Trade News Release, Department of Statistics 85/91.

The export-led policies of past and present Governments, combined with the present free-for-all importing and free-trade policies, have led us into a position where we cannot pay for our imports, let alone for the escalating "invisibles," including interest and profits on foreign investment in New Zealand. The escalation of these invisibles is indicated in Table 3.



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Table 3

Interest and Profit Remittances from New Zealand  
(in \$NZ million)

Calendar Yr	Priv	Gov	Total	Exps	% of Exports
1981	346	431	777	6518	11.9
1982	388	629	1017	6855	14.8
1983	586	688	1274	7613	16.7
1984	611	1016	1627	8895	18.2

Source: Reserve Bank Bulletin March, 1985.

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Because the Government has a faulty diagnosis of New Zealand's disease, namely that the Government deficit is the central villain in the piece, it is unable to cope with the disease, which is getting worse, not better.

Astronomic interest rates are not the result of the Government accounts deficit (as we will find out when rates hardly fall after the fall in the deficit.) They are the result of having to borrow abroad while giving lenders (a) very much higher interest rates than they can get anywhere else in the world; and (b) compensating them for any risk in the absolutely certain future devaluations of the New Zealand dollar.

Ever increase incentives to importers in the form of the abolition of import licences and now tariffs, and misleading calls that "international competition" will keep prices down in New Zealand, will further increase imports.

Exports development is all well and good, but without reducing imports it is a matter of running faster and faster to stand still -- or even go backwards.

In conclusion, I consider that the congratulations of "The Economist" to our "brave Labour Government" are sadly misplaced. Not only are the policies of the Government misdirected: they are merely the radical extension and acceleration of the policies of the previous Muldoon administration.

They are not new in their direction, only in their disastrous radicalism do they differ from what has happened since 1975. On that road lies only more unemployment, crisis, and devaluation.

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NEW ZEALAND

RESERVE BANK FORECASTS SLIGHT DECLINE

Wellington THE EVENING POST in English 29 Jun 85 p 24

[Text] New Zealand's economy has peaked and will decline slightly over the remainder of the 1985-86 March year, according to Reserve Bank's unofficial econometric forecasts.

The forecasts show that economic activity, as indicated by gross domestic product (GDP), reached a peak in the first half of 1985.

"Thereafter the forecast profile of activity is essentially flat, with a slight decline over the remainder of 1985-86 offset by a moderate rise through 1986-87," the Reserve Bank says.

Growth

Although the GDP profile was essentially flat over the forecast horizon, it says growth in annual average terms for 1985-86 was projected to be about 1 1/2 percent.

This reflected the fact that economic activity at the end of 1984-85 was higher than the average recorded during that year.

Domestic expenditure was predicted to fall in the 1985-86 and 1986-87 years, but these falls would be offset by an improvement in the external balance as export volumes continued to grow strongly and import volumes declined.

The current account deficit (on a balance of payments basis) was forecast to fall from about \$2.7 billion in 1984-85 to about \$200 million in 1986-87.

Consumer price inflation was forecast to have peaked, at an annual rate of just over 16 percent, in the year to June 1985 and was forecast to fall steadily to around 9.5 percent for the year to March 1987.

Full-time employment was forecast to grow by 1 percent over the year to March 1986 and to increase by a further 0.5 percent over the year to March 1987.

The Government's budget deficit for the year to March 1986 was forecast to be around \$1.25 billion.

"This represents a significant downward revision from previous forecasts and arises primarily as a result of large increases in forecast revenues particularly company tax receipts," the Reserve Bank says.

"A further fall in the budget deficit to about \$930 million is forecast for 1986-87. No allowance has been made either for the GST or for possible income tax cuts in that year."

Personal disposable incomes were forecast to fall by just over 4 percent in 1985-86 as a result of declining farm incomes, slower employment growth and a large increase in personal tax payments.

#### **Reversed**

In 1986-87, as inflation diminished, the fall should be reversed to give a rise in disposable incomes of about 2 percent.

However, an expected return to more normal levels of savings in 1986-87 together with a return to more normal consumption patterns following the recent distortions caused by special factors such as the devaluation, implied that consumption spending should decline in both the forecast years.

The forecasts do not include the effects of the proposed goods and services tax. But the Reserve Bank said it was thought that the inclusion of GST would not alter the pattern of the present forecasts, apart from causing a one-off increase in the consumers price index.

CSO 4200/1371

NEW ZEALAND

BUSINESS LEADER EXPECTS COUNTRY TO OUT PERFORM AUSTRALIA

Auckland: THE NEW ZEALAND HERALD in English 28 Jun 85 sec 3 p 1

[Text] New Zealand is likely to outperform Australia over the next five years providing the present policies continue to be consistently applied and New Zealanders continue to accept them, says the chairman of Fletcher Challenge Ltd, Sir Ronald Trotter.

Speaking at an extraordinary meeting of the company in Wellington yesterday, Sir Ronald said this was the message he gave Australians at the launching of FCL's shares on the Australian Stock Exchanges.

He said the object of listing in Australia was to broaden the shareholder base, increase the demand for FCL's shares and give the company access to a larger capital market.

Sir Ronald reiterated to shareholders yesterday that the company's profits for the year to June 30 would be between \$180-185 million, an increase of about 40 per cent on last year.

**Improvement**

"And despite the likely slowdown in the New Zealand economy, the group should exceed the 1984-85 results in the future."

However, he said that although the group profits may seem large they must be judged in relation to the capital used and the people employed.

"We see room for further improvement," he said.

Sir Ronald said that the group was committed by its "statement of purpose" to the preservation of FCL as "a New Zealand-owned entity" and to pioneer new activities and methods of business.

"This will require utilising new technology and the most productive methods. It will involve change and change is always uncomfortable. It may at times require patience from our shareholders."

He said that unless the business was allowed to adopt the best technology and most productive methods that were available New Zealand's relative position would continue to decline, the company would not grow and new jobs would not be created.

"In the final analysis, success depends on our ability to create goods and services more efficiently in New Zealand than elsewhere."

#### **Acceptances**

Looking at the changes to the economy Sir Ronald said that although the company did not agree with all the detail of the current policies it accepted that the overall thrust should be of long term benefit to New Zealand.

The extraordinary meeting was called to seek shareholder approval to increase the authorised capital from \$300 million to \$500 million to allow payment of the one-for-four bonus issue and the creation of employee share purchase schemes.

The employee scheme will see the allotment of 40 million ordinary shares to the trustees of the scheme so each employee will be entitled to 2000 shares after one years service.

The recommendations for the increased capital, bonus issue and employee share schemes were all passed.

CSO 4200/1371

NEW ZEALAND

TRADE MINISTER SEEKS CER-TYPE AGREEMENTS IN PACIFIC

Wellington THE EVENING POST in English 27 Jun 85 p 2

[Text] The Minister of Overseas Trade, Mr Moore, is about to report to the cabinet on proposals for New Zealand to look for CER-type agreements with other Pacific Basin nations.

Such treaties would probably take 10 years to achieve, but with New Zealand's share of European markets under continual pressure, Mr Moore's idea is to get people thinking about what our trading patterns could be like in the year 2000, and work back from there.

With major economies like Japan and the United States moving slowly to roll back protectionist policies, New Zealand could position itself to expand trade to these markets. Even a fractional increase in the goods taken by these huge markets would create a lot of jobs in New Zealand, he said.

Mr Moore will seek cabinet sanction for a White Paper or similar discussion document to be prepared over the next year, setting out the options. His own department has begun studies, and other officials may be drawn in from Foreign Affairs, Treasury, business and the universities.

**Initiatives**

Some of the options could involve agreements between New Zealand and Australia beyond the Closer Economic Relations agreement. Mr Moore has discussed this in general terms with his counterpart, Mr John Dawkins, "and we're on the same wavelength."

Mr Moore said New Zealand's first priority was still to support the aims of the General Agreement on Tariffs and Trade (Gatt), but it could not afford to keep all its eggs in that basket. If Gatt did not work, or was limited by restrictions, New Zealand had to look at other initiatives.

Mr Moore said the CER agreement with Australia -- which was accepted as not being in breach of Gatt -- was working well. In fact, relations were drawing the two economies closer as they became more interwoven.

## **Budget**

New Zealand businessmen frequently found they had to listen to the Australian budget just as closely as that of their own Government. For example, Australia was New Zealand's biggest market for manufactured goods, and any tariff changes held significance for New Zealand.

While the two nations were still competitive in many ways, there were activities where a joint approach could pay off for both. One example was tourism. Many European tourists opted for holidays in Australia or New Zealand but not both. Good marketing could encourage people to visit both countries on the same trip.

## **Local**

Mr Moore said Canada and the US were talking of a closer trading relationship with each other, and it was this type of local agreement that New Zealand could consider, though with which countries was still very much an open question.

CSO 4200/1371



NEW ZEALAND

BOOK CRITICIZES LABOR'S ECONOMIC MANAGEMENT

Wellington THE EVENING POST in English 29 Jun 85 p 22

[Article by Simon Louisson:]

[Text] "Cul de sac" is not a rewrite of the Roman Polanski film. It is Harvey Franklin's description of where the New Zealand economy is headed -- up a blind alley.

His recently published analysis of New Zealand's future should be required reading for all politicians, businessmen, unionists -- anyone with a concern about the nation's future.

Especially, it should be read by those who attended last year's Economic Summit Conference and trotted out their sectorial position stance for three days rather than addressing the question of New Zealand's economic direction.

The most chilling aspect of Franklin's book is that he says Labour, far from having made the major changes necessary to put New Zealand back on a path to economic growth, has hardly begun. It has yet to make the most basic change of all -- the need to restructure our economy to become a manufacturing-based economy.

Failure to recognise this will condemn New Zealand and economies like ours to production of commodities to be assembled overseas.

**Message**

"Switzerland without the technology," is how he describes it.

Franklin's message is not new -- he has been preaching it for 15 years. He produced a book in 1978 called "Trade, Growth, and Anxiety," from which the same message can be gleaned.

He even delivered the Turnbull lectures last year under the title "Flogging a dead horse," because he does not believe the message has, or will, sink in.

But New Zealand's burgeoning debt, and the economic crisis of July last year, has made the problem more pressing.

Franklin's theory goes like this: Because of shifting consumer preferences, people want less of what we produce, therefore we have little or no economic growth, which makes the welfare state unsustainable, we have to borrow more, which also becomes unsustainable in the end.

He says that while the market-forces economy instituted by Labour is a good instructor of what the market wants, it does not provide a solution. New Zealand must make the decision to become a manufacturing society and the long-term success depends upon careful nurturing and creative planning from the Government.

### **Analogy**

He draws the analogy of the German economy producing Mercedes cars. They make cars, which creates wealth through exports, which increases demand locally because locals have enough money to buy Mercedes.

"Transposed to New Zealand's situation, lamb exports do not increase local demand because in an affluent society there is a saturation point already reached with primary produce, and export wealth only increases import demand for products such as Mercedes. The balance of payments problem is acerbated.

In an affluent society consumer preferences for manufactured goods are always changing, but New Zealand has not recognised this. "The Muldoon era was not an aberration, as some would see it, but the culmination of many features that are fundamental to New Zealand life: features unlikely to disappear simply or speedily," says Franklin.

"In seeking a measure of reforms the new Labour Government seems unaware of the institutional and ideological changes required to achieve sustained reform . . . in a sense, in grasping hold of the idea of market forces, the Labour administration, and many non-Labour people who follow the same line of thinking, are levering open a Pandora's box."

The box includes the welfare state and an egalitarian ethos dear to new Zealanders' hearts which must be modified if skills and enterprise are to be rewarded.

So where does hope, if any lie?

Franklin looks at the economies of Japan, West Germany, South Korea and Singapore, and the distinguishing characteristic appears to be government intervention.

Far from letting the free market hold sway, governments in countries like Japan and Singapore intervene in a very sophisticated and pre-meditated manner.

Every modern success story has two things in common -- central government planning, and modernisation, he says.

## **Research**

Government has to put effort into science and technology, fostering research and development, and establishing appropriate skill training at all levels.

Retraining of people from the old sheltered industries into "sunrise" industries is a vital aspect of the public acceptability of any strategy.

And what are the barriers?

"How does one get over the stumbling block of the electoral auction?" Franklin asks despondently.

He sees few answers except through the hope of the younger generation. The recent experience of Timaru would give him further cause for depression.

## **Wage system**

Futher, the major "free enterprise" sector in New Zealand, the manufactures and farmers, tend to be very pro the rhetoric of free enterprise and very anti the idea of competition, particularly those manufactures reared in a protected environment.

There is also little hope unless a comprehensive wage system is agreed to.

The most critical need in New Zealand is for leadership -- political, managerial and union, says Franklin.

Even if by some miracle the change is made, it will not be the end, "From now on, change will be the rule, and adaption the constant requirement."

But the most hopeful aspect of "Cul de Sac" is that if New Zealand makes the change it will change our economy from one based on exporting natural resources such as meat to one using our most valuable resources -- our human talent.

CSO 4200/1371

PHILIPPINES

OPPOSITION PLANS FURTHER IMPEACHMENT MOVES

OW120303 Tokyo KYODO in English 0249 GMT 12 Aug 85

[Text] Manila, 12 Aug (KYODO)--Opposition members of the National Assembly will meet privately Tuesday to plan their next steps in pressing formal impeachment action against President Ferdinand Marcos. They are scheduled to hold a private session Tuesday in the parliamentary building office of Jose Laurel, opposition leader in the National Assembly. He is also elder brother of Salvador "Doy" Laurel, 57, current front-runner for the opposition's nomination as presidential candidate.

The government has made clear that parliamentary privilege does not cover any discussion of the matter outside of official debates actually held in the National Assembly chamber. Any other discussion may lead to libel charges, the government has warned.

Several opposition assemblymen told KYODO News Service that they have already completed final drafts of a formal impeachment resolution and a separate working document known as the complaint which lists five charges.

They said the resolution and complaint could possibly be filed and thus start the impeachment proceedings immediately after Tuesday's working meeting.

However, some assemblymen are warning against what they consider to be unnecessary haste in filing the charges. They say more time is needed for research and documentation to meet what they predict will be a government attempt to fault the opposition charges on technicalities.

Parliamentary sources said the complaint lists five accusations against Marcos, including violating the constitution with regard to the national budget, making "uncontrolled" borrowings from international institutions and hiding assets overseas.

CSO: 4200/1362

PHILIPPINES

IMF SETS SECOND REVIEW OF ECONOMIC PROGRAM

HK081455 Manila BUSINESS DAY in English 8 Aug 85 p 2

[Article by Rigoberto D. Tiglo]

[Text] Less than two weeks after the release of the second tranche of the International Monetary Fund's (IMF) standby credit facility to the country, a full IMF mission is scheduled to arrive tomorrow to start the second review of the country's economic adjustment program.

Since the first IMF program review covered the period from the date of the facility's approval up to May, the new IMF mission will assess the country's economic performance in the last two months. It will determine if the government has complied with the monetary and fiscal targets for end-July.

However, BUSINESS DAY sources in government said the more important aspect of the talks between the government and the IMF mission will involve the firming up of critical government plans until June 1986, the termination date of the standby arrangement. These include the reorganization of government financial institutions and corporations, a possible increase in the budget deficit and in government borrowings this year beyond what were originally committed to the IMF, the tax reform program, measures to deal with the distressed sugar and coconut industries and a financial reform program. The sources said the IMF will again closely check whether the government is complying with its commitment to allow the peso's international value to be determined by market forces.

The sources claimed that preliminary figures indicate that the government has complied closely with the end-July performance criteria involving the reserve money (P35.2-billion ceiling), the Central Bank [CB] credits to the Philippine National Bank [PNB] (P5.2 billion), the short-term external debt (\$9.6 billion) and the amount of remaining foreign exchange arrears (\$1.48 billion).

However, preliminary data also indicate that the government is risking the ceiling on the public sector's domestic debt, or the borrowings from the CB and from the public of both the national government and government-controlled corporations to cover their budgetary deficits. The sources claimed that



there are indications that the deficits of the National Power Corp. incurred because of its exposure in the nuclear power plant and because of its inability to recover its operational costs through power rate increases, have pushed up the total public sector debt close to the IMF-set ceiling for July. CB credits to the PNB, another performance criterion, have been kept slightly below the P5.2-billion ceiling for July and were at P5 billion as of 14 June.

Prime Minister Cesar Virata yesterday had a meeting with the heads of the major government financial institutions and corporations to determine if the IMF ceiling for the public sector's debt for end-July will be exceeded.

The negotiations with the IMF will also decide whether the government can incur a budget deficit this year higher than the P6.2 billion it had earlier programmed. The government wants a deficit of more than P7 billion in order to provide the peso counterpart of official development assistance (ODA) [expansion unknown] loans. It also intends to step up its infrastructure projects as a "counter-cyclical" measure to spur economic growth this year.

World Bank representatives will be joining the IMF staff mission headed by IMF Asian department head Hubert Neiss in the program review. This is because a major problem confronting the government now is the slow disbursement of credits already committed by the World Bank. The government is also seeking two new big loans from the World Bank, one for the consolidation and disposal of government financial institutions and another for the reorganization of non-financial government corporations.

The second program review will also set the schedule of drawdowns on the remaining portion of the IMF's 615-million special drawing rights (SDRS--equivalent to \$633.4 million as of 5 August) standby facility. The original schedule calling for a second tranche release in April was disrupted because of the failure of the government to meet several performance criteria, mainly on the reserve money ceilings. Instead of the original schedule to release the second tranche amounting to 85-million SDRS (\$87.5 million), the IMF had agreed to release 106-million SDRS (\$109.2 million) as the second tranche. The first and second tranches drawn by the country amounted to 191 SDRS (\$196.7 million). Under the standby arrangement, the country can draw a maximum of 149 million SDRS (\$153.4 million) before 1 November if it passes the second program review.

CSO: 4200/1362



PHILIPPINES

LAND REFORM TO BE APPLIED TO SUGAR AREAS

HK091549 Manila BUSINESS DAY in English 9 Aug 85 p 22

[Text] Prime Minister Cesar Virata yesterday said land reform approaches will be applied on vast sugar lands already foreclosed by government banks to ease problems now faced by sugar workers.

In a speech delivered before the members of the Trade Union Congress of the Philippines Virata, concurrently finance minister, said instead of leaving these lands idle, the government will subdivide them and sell these to farmers who will then pay on installment through the Land Bank. This concept, he said, is being followed in the land reform program.

He said the Land Bank could also help farmers get supervised credit to finance their new ventures in a new setting. He said farmers in Negros, which has the most number of sugar plantations in the country, will also be encouraged to adopt diversified cropping systems.

He said aside from subdividing foreclosed sugar lands, integrated area development will be pursued in the province which calls for a systematic pursuit of farm endeavors towards perceived markets and resources.

The prime minister added that only 33 sugar mills out of 41 mills in the country will be retained to meet domestic requirements and the export quota to the United States, totaling 1.8 million tons.

To ease the economic problem of the sugar sector, Virata said the government will promote alcohol production from sugar. He said sugar-based alcohol may be exported to Japan which is now adopting the product as additive in industries in place of lead, which is said to be environmentally harmful.

CSO: 4200/1362

PHILIPPINES

MANILA TO SET UP BARANGAY PEACE, ORDER COMMITTEES

HK080627 Quezon City Maharlika Broadcasting System in English 0400 GMT 8 Aug 85

[Text] The National Police Commission hopes to receive by 17 August the results of the ongoing inventory of its personnel and equipment. The inventory is among the steps being taken in preparation of the turnover to mayors of operational supervision over the police. Results of the inventory will determine the future assignments of policemen. In Metro Manila, plans call for two-thirds of the police forces to be assigned to patrol duties when the turnover is carried out. Another one-third of the police forces will be assigned to detective and intelligence gathering duties.

According to Metro Manila Vice Governor Ismael Mathay, the turnover of the police to mayors will be followed by creation of peace and order committees in the barangay level. He said the committees will be headed by private citizens. In a speech to Pasay and Paranaque Rotarians, Mathay enumerated the other duties of the barangay peace and order committees:

[Began Mathay recording] A citizen's committee which is nonpartisan in nature would help improve not only peace and order, but solve the problem of drug addiction, which our latest survey shows to occupy the first five, one of the five primary problems that are the concerns of the residents of Metro Manila. Likewise, the peace and order committees can also help in the squatter problem. [end recording]

CSO: 4200/1362

PHILIPPINES

SOCIAL SERVICES MINISTER ABSOLVED OF CORRUPTION CHARGES

HK080345 Manila Far East Broadcasting Company in English 2300 GMT 7 Aug 85

[Text] The Tanodbayan has absolved the social services and development minister Sylvia Montes of the anti-graft and criminal charges filed by lawyer Nimfa Ward.

In a resolution approved by Tanodbayan Bernardo Fernandez, the antigraft board found the charges filed by Ward in 1983 all bereft of merit.

In her complaint, Ward, among others, charged that Montes allegedly violated the antigraft and corrupt practices law by approving a contract to her own daughter Sylvia P. Montes II to prepare court pleadings. The pleadings were for declaration of abandonment of children, and also contracting the services of lawyer Ramon Teodoro to provide MSSD's [Ministry of Social Services and Development] expert legal and management advisory assistance.

The Tanodbayan stated that Montes did not commit any unlawful act in contracting the services of her daughter who the complainant claims is not qualified and competent to do the job stipulated in the contract. The Tanodbayan stated that the contract is valid and that the services called for is the preparation of court pleadings, which requires only essential legal knowledge and training.

CSO: 4200/1362

PHILIPPINES

REPORTAGE ON NPA ENCOUNTERS, CASUALTIES NATIONWIDE

NPA Commander, Intelligence Chief Killed

HK071441 Manila BULLETIN TODAY in English 7 Aug 85 p 8

[Article by R. Sinfuego]

[Text] Gen. Santos City--A high ranking New People's Army (NPA) commander and the NPA's chief of intelligence in this city were killed by army intelligence operatives in a five-minute running firefight in this city last Monday, military authorities here said yesterday. Colonel Orlando Soriano, commander of Task Force South Cotabato Davao (Task Force SCODA) identified the slain NPA commanders as Rogelio Isaga, alias Commander Ringo, overall commander of the NPA Front 11, operating in this province and the NPA's intelligence chief, Benjamin Dagaton, alias Commander Ronnie.

Eighteen Killed in Separate Clashes

HK071437 Manila BULLETIN TODAY in English 7 Aug 85 p 8

[Article by Tony Rimando]

[Text] Pagadian City--Eighteen persons, including two soldiers, were liquidated by unidentified armed men believed to be New People's Army rebels in separate incidents during the past six days in Zamboanga de Sur.

Captain Alvarez Yusup, commanding officer of the 461st PC [Philippine Constabulary] Company identified the slain soldiers as T/Sgt Abdul Kasim Sakali, 38, and CIC [Corporal 1st Class] Lalihan Juhan, 27, both from Jolo, Sulu, and the 461st PC Company.

Yusup reported to PC-INP provincial commander, Lt Col Jesus Guerzon, that Sakali was sitting near the counter of the Republic Cinema in downtown Pagadian City as a detailed security guard when a gunman, pretending to be a moviegoer, approached him and shot him point blank.

Sakali hit on the head, was declared dead on arrival at the Zamboanga del Sur provincial hospital.

Juhan was gunned down in front of a shoestore, also in downtown Pagadian City by two armed men, who later fled on board a motorcycle.

The killers of Sakali and Juhan took the soldier's M-16 armalites.

#### Hunt for Cotabato NPA

HK090856 Quezon City Maharlika Broadcasting System in English 0400 GMT 8 Aug 85

[Text] The hunt continues for a band of NPA's in Cotabato. Since the present operation began last month, it has been estimated that more than 50 rebels have been killed. Involved in the operation are troops from the 25th and 35th Army Infantry Battalions.

The NPA group is believed to number 300 regulars from South Cotabato and Davao del Sur. Movements of the group have been detected by AFP [Armed Forces of the Philippines] intelligence and were monitored by [words indistinct] for the planned attack.

#### Highlanders Flee NPA

HK090918 Manila Far East Broadcasting Company in English 2300 GMT 8 Aug 85

[Text] At least 120 (?ethnic) natives from the mountain barangay of (Kakapeyan) in Marcos Town, Ilocos Norte, have evacuated to the lowlands because of the marauding, roving communist terrorists.

Mayor Maximino Tabugbug personally confirmed the evacuation of the (ethnics) before provincial PC-INP [Philippine Constabulary-Integrated National Police] commander General Rogelio (Aguana). General (Aguana) assured Tabugbug he will immediately set up a military detachment in barangay (Kakapeyan) to keep peace and order in the beleaguered village.

Tabugbug told reporters that of the evacuees, 32 families took refuge in the chapel and private houses in Barangay Ferdinand and Elizabeth in Marcos Town, while 17 other families fled to Barangay San Marcelino, in Dingras, Ilocos Norte.

#### Manila Barangay Leaders Pledge to Fight

HK100023 Manila Far East Broadcasting Company in English 2300 GMT 9 Aug 85

[Text] In Manila, barangay officials, stunned by reports that some of them refused to cooperate in the anti-insurgency campaign for fear of reprisal, yesterday [9 August] pledged to Mayor Ramon Bagatsing they would play their part. The first group of barangay leaders to assure the mayor they would fully assist in detection of strangers in their areas were from Sampaloc. The group met Bagatsing at the Manila Health Fair '85 in Sampaloc District. Barangay officials from other areas in the city also pledged their cooperation.

CSO: 4200/1362

PHILIPPINES

MUSLIM REBELS SAID HOLDING JAPANESE, AMERICAN

OW081217 Tokyo KYODO in English 1203 GMT 8 Aug 85

[Text] Manila, 8 Aug (KYODO)—Japanese free-lance photographer Shigehiro Ishikawa, 33, has been seen alive in southern Philippines after the military received reports last week that he had been shot dead, a Muslim sultan told KYODO news service Thursday.

Sultan Kiram, of the Sulu group of islands southwest of Mindanao, said Ishikawa, from Hyuga, Miyazaki Prefecture, is with a band of Muslim secessionist guerrillas who are laying big areas of land mines aimed at blasting government troops.

He said Ishikawa, officially listed as missing since he disappeared from Zamboanga in January this year, is being held captive together with a West German and an American.

Sultan Kiram, a local political leader who is not identified with the secessionist forces, said his own law-abiding men had seen Ishikawa last week after the time of his alleged death.

Kiram said he had reported this to the Philippine military following an announcement last weekend that military investigators had been sent to check reports received a week earlier that Ishikawa had been shot dead following a heated argument with a secessionist commander in a jungle guerrilla camp.

Ishikawa has been the subject of a wide variety of reports given to the Philippine military by local informers.

Reports have varied from claims that Ishikawa was a captive to other allegations that he was seen heavily armed, apparently cooperating as the willing and jovial driver of a small truck loaded with Muslim rebels.

Sultan Kiram said he is currently negotiating for the release of Ishikawa, the West German and the American.

CSO: 4200/1362



PHILIPPINES

REPORTAGE ON GOVERNMENT, NPA CLASHES, DEATHS

NPA Casualties Mount in Cotabato

HK100025 Manila Far East Broadcasting Company in English 2300 GMT 9 Aug 85

[Text] Casualties of the subversive New People's Army rose to 16 this week and more than 30 were wounded as government troopers pressed pursue against a splinter 200-man terrorist band in the mountains of Makilana and Tulunan, Cotabato. Latest reports said 10 more rebels were killed in 2-hour clashes between a 60-man NPA band and elements of the 35th infantry battalion Charlie and Delta companies, who were augmented by scout rangers.

In a report to Central Twupdanao Regional Unified Command Chief Brigadier General Cesar Tarpia, Colonel (Homer Kapulong) said the troopers recovered four M-16's, six Garand M-1, and one G-1 rifle from the enemy. Two of his men, a sergeant and a corporal, were wounded during the fight.

Nationwide NPA Casualties

HK120733 Manila Far East Broadcasting Company in English 2300 GMT  
11 Aug 85

[Text] Fifteen people, including 6 NPA rebels and 7 former soldiers turned outlaws were killed in separate encounters over the weekend in Luzon and Mindanao. The rebel fatalities included an NPA political officer and three followers killed in an attack by government troopers in Santa Ana, Pampanga. Authorities said the slain rebels were from the same group that ambushed and killed Santa Ana Mayor Mangno Manago and three police escorts last year.

Two NPA terrorists were also slain in an encounter with government troopers in General Santos City in Mindanao.

An NPA tax collection officer was stabbed dead by the son of a farmer in Pamplona, Negros Oriental. The slain dissident was identified as Aurelio Sabelio.

The seven former soldiers turned outlaws were killed in fighting with government troopers in Agusan del Sur. The lone government casualty was a soldier stabbed by suspected members of the NPA agaw-arms [arms seizure] in Makati, Metro Manila. The soldier's pistol was taken by his killers.

#### 21 Killed in Mindanao Clashes

HK110608 Hong Kong AFP in English 0603 GMT 11 Aug 85

[Text] Manila, 11 Aug (AFP)--Twenty-one people have been killed and 50 wounded in three separate clashes between government troops and communist guerillas in the southern island of Mindanao, it was reported here today.

The BULLETIN TODAY newspaper said 16 suspected communist New People's Army (NPA) rebels and five government troops were killed in three running gunbattles in the hinterlands of Tulunan and Makilala towns in Cotabato Province.

The daily cited Cotabato army infantry commander Colonel Homer Capulong as saying that they captured one of the 30 NPA rebels wounded in the clashes. Twenty troopers were also wounded, 85

Col. Capulong said that the clashes began when an army soldier on patrol mission encountered a 60-man NPA band in the outskirts of Tulunan Town.

Military spokesmen here could not immediately confirm the BULLETIN TODAY report, which quoted military officials in Cotabato City near the scene of the battles.

President Ferdinand Marcos's military-backed government is fighting the 12,000 to 15,000-strong NPA, the guerilla arm of the outlawed Communist Party of the Philippines, which is reportedly operating in more than 62 of the country's 73 provinces.

CSO: 4200/1363

PHILIPPINES

NPA OF PHILIPPINES--ITS ORIGIN, STRATEGY, STRENGTH REPORTED

Tokyo GEKKAN SHAKAITO in Japanese Jul 1985 pp 138-151

[Article by Mitsukazu Shibo, international journalist: "What Is the Philippine New People's Army--Its Origin, Strategy and Strength", includes an interview by letter with Jose Maria Sison, founder of CPP/NPA]

[Text] In a Liberated Village

The U.S. Government has become intensely active concerning the political situation in the Philippines. In the March issue of this magazine I wrote mainly about developments in the strength of the legitimate opposition party. I focused on such questions as how the political power of anti-Marcos politicians was divided on the issues of the U.S. military bases and the reemerging Communist Party/New People's Army (NPA), and how the U.S. Government views the Philippine situation. However, I did not write enough about the NPA, the force in the underground armed conflict.

I had the opportunity to return to the Philippines for the month of March this year, to live with NPA soldiers in a village liberated by the NPA on the island of Mindanao, where NPA activity is said to have become extremely intense. Part of my writing on this subject has been reported in the ASAHI JOURNAL (26 April, "A Second Vietnam?"), MAINICHI (1 May, Evening Edition, "What Will Become of the Philippines?"), and elsewhere; here, however, I would like to write in a bit more detail about the exact nature of the Philippine Communist Party/NPA, its history, and its aims. This is because its reality, history, and political nature have never been well understood in Japan.

It goes without saying that when Asia as a whole is considered, the Philippine situation is extremely important. However, that is not all. In U.S. global strategy, the most critical situations are now seen to be in the Middle East, Nicaragua (and El Salvador), and the Philippines. In the short term, especially, Nicaragua and the Philippines are touchy areas, where the exercise of U.S. military power can be considered an option for direct action in the international political arena. It is important to know something about the Philippine Communist Party/NPA, toward which the United States is extremely hostile and fearful of the expansion of its power.

## Views Within The U.S. Government

Quite recently (in the middle of May), the Director of the U.S. Central Intelligence Agency (CIA), William Casey, visited the Philippines. Although the meeting between Director Casey and President Marcos was not publicized by the local press, NEWSWEEK magazine has disclosed the substance of the meeting. According to that magazine, the CIA put pressure on President Marcos to accelerate the elections which are scheduled to be held in 1987 after the expiration of his term of office.

Director Casey suggested that such an election would ameliorate the political, security, and economic crises of the Philippines. He then raised a number of points in order to urge Marcos to reconsider his opposition to this. He stated that elections would help build confidence in the Philippine political structure and, as a result, would attract potential investment to the decaying economy. He went on to say that freely held elections would help normalize Philippine politics which would, in turn, reduce the influence of the Communist-led NPA and other radical groups (NEWSWEEK, 27 May).

This inconspicuous visit to the Philippines by the director of the CIA has given rise to speculation. This is not surprising, because the future of this country could be drastically changed by U.S. intentions regarding the Philippines.

How U.S. policy is formulated, what clash of factors will emerge as a result, and what form the policies will take are questions which, alone, could be a topic for research. The State Department, the Pentagon, the Treasury Department, the CIA and others contemplate policy toward the Philippines from their own perspectives, and they are not necessarily in conformity with each other.

For example, the State Department is probably most concerned that the transfer from the Marcos regime to a regime which is democratic, even if only in appearance, be made as quickly as possible. Immediately after the murder of Aquino all the opposition forces expressed their intention to boycott the current elections. In the last issue of this magazine I wrote in detail about the antagonism and split between the boycotting faction and the participating faction at last year's elections. In fact, it was the State Department which vigorously persuaded a portion of the opposition to participate in the elections. It was from this perspective that, on the one hand, the United States sought to preserve its ties with some of the opposition (those who approve of giving bases to the United States and who are clearly anti-Communist) and distance themselves from Marcos, while at the same time pressuring Marcos to establish a committee to do a fact-finding investigation of the Aquino murder. Some in the State Department are afraid that Imelda, his wife, will succeed Marcos. This is because she, being more "undemocratic" than her husband, would make the possibility

of a transfer to a system which is "democratic, even if only in appearance," even more remote. Also, since they recognize that the Philippine political crisis is closely tied to its economic crisis, the State Department wants to promote economic aid programs to the current administration.

On the other hand, the Treasury Department takes an unyielding stand toward the Philippines' massive \$30 billion debt. It is pressuring Marcos by bying IMF financing to extremely unpopular policies, such as the devaluation of the peso and an increase in the domestic consumption tax. The Treasury Department also exercised its veto power on the question of \$15,000 [as published] in agricultural financing from the World Bank, and has been in conflict with the State Department over this.

Then, of course, there is the Pentagon. Here, military aid to the Philippines is the issue of concern. The Reagan administration presented the Congress with a Philippine aid bill totaling \$40 million. Within that total, 85 million was designated as military aid. The Congress revised the budget, reducing this by \$45 million which was then diverted to economic aid. Even with only \$40 million remaining as military aid, though, the budget for military aid to the Philippines easily comes to two-thirds of that for El Salvador. In addition, the rental fee for Subic Naval Base and Clark Air Base is more than \$900 million, most of which is earmarked for military uses. I will not reexamine the question of the importance of Subic and Clark Bases here; they are strategically necessary for the United States in terms of Asia and in terms of its access to the Middle East from the Indian Ocean.

It may be that whatever importance the Philippines has for U.S. strategy against the Soviet Union has formed the background for the Pentagon's recent vociferous claims, and it should be noted that this is linked to justification for increased military aid to the Philippines.

In fact, most of the military aid from the United States is used for antiguerrilla operations against the prominent NPA and the Moro National Liberation Front (MNLF, the Islamic separatist movement). The general view which emerges from the various reports from U.S. Government organizations and public hearings in Congressional subcommittees is that it is possible that in a few years the power of the NPA will be such that it will be a physical threat to the Marcos regime and "communism will win." Certainly, it seems that for the Pentagon it is necessary to incite such feelings of crisis to justify increased military aid to the Philippines and to further bolster the Philippine Government forces.

The supply of material aid has also been stepped up. Many times during my stay in the Philippines I was told that U.S. military advisors had begun activity in Philippine villages. It seems that the U.S. Pentagon regards reform of the Philippine Government forces as the most urgent priority. Today's Philippine Government forces number 240,000, a dramatic four-fold increase from the 60,000-man force of 1972, when



Marcos declared Martial Law. This has come about in conjunction with Marcos' crony politics. U.S. Government reports and public hearings make it very clear that these forces are corrupt and ineffective; the murder of Aquino is considered evidence of this reality. The wishes of the United States were involved when General Ver, former bodyguard/chauffeur for Marcos risen to the position of Chief of Staff of the Philippine Army, and symbol of Marcos-Imelda crony politics, was suspended from office and replaced by General Ramos as a result of the report by the panel investigating Aquino's murder. Ramos was educated at West Point in the United States, and is a comparatively young military veteran who was involved in the Korean and Vietnam wars. He is seen as an efficient, uncorrupted 'career military man.'

In this way the various sections of the U.S. Government take differing positions on how to deal with the situation in the Philippines, and they have occasionally come into conflict; however, they must eventually converge, and they are, in fact, following that course.

After Admiral Crowe, Commander of U.S. Forces, Pacific, toured the Philippines in August of last year a task force of officials from the State Department, the Pentagon, the Treasury Department, the CIA and other organizations was created in order to respond to the situation in the Philippines. It probably should be remembered that in the early 1960's, before the massive involvement in the Vietnam war, the same type of thing occurred.

CIA Director Casey's visit to the Philippines and meeting with Marcos was not only to "pressure him to accelerate the elections," as NEWSWEEK reports; it took place within this larger framework.

To sum things up, the Pentagon's intention to provide major assistance to the Philippine Government forces is becoming more important than any makeshift operation, for example, "a swift transfer to a democratic system, or one which at least appears to be." In last year's Presidential elections Reagan stated that he would not do anything which would "drive them (the Marcos regime) away to become prey to wolves and, as a result, leave the United States to face the emergence of a Communist nation in the Pacific region." This, in other words, is what did happen in Iran, which is considered Carter's failure. He also said that "although Marcos is part of the problem, he is also part of its solution."

The Reagan administration's decision is that for now it will support Marcos and work against the guerillas' after Marcos is gone it will back an anti-Communist "Marcos-type regime without Marcos."

There are already 15,000 U.S. military personnel involved with the Clark and Subic Bases. Is it not possible that the expansion process will follow a pattern wherein these bases gradually become military involved within the Philippines?



## The NPA--Learning from the Failures of the Huks and the PKP

By living with the liberation soldiers in villages controlled by the NPA I came to understand various things. My experience on Mindanao also said a great deal about how the NPA's activities are linked to its surrounding environment.

But before turning to that, it is necessary to know something about how the NPA was born and what changes it has been through.

Today's Communist Party of the Philippines (CPP) (the NPA is its armed wing) was born in 1968. It was established by Amado Guerrero (Jose Maria Sison) who, the year before, was expelled from the Communist Party (Partido Komunista ng Philipinas, hereafter abbreviated as PKP) which was founded in 1930. The original Communist Party PKP exists even now, but its influence is negligible. However, knowledge of the history of the PKP and of the controversy between the two parties is one key to understanding the CPP.

The early history of the PKP is, first of all, well known for its anti-Japanese guerrilla activity during World War II. In 1942, at the beginning of the Japanese army's occupation of the Philippines, an anti-Japanese people's army (Hukbo ng Bayan Laban Hapon, or HUKUBARAHAP; also called the Huks) was formed in central Luzon. Its core was the Communist PKP. It helps to remember that prior to that, the Socialist Party and the Communist Party had combined. (In 1938, unification was connected with the fact that the current Comintern had introduced the tactics of the people's front.)

In the anti-Japanese front, then, there were these Huks and the USAFFE (United States Forces Far East) guerrillas who had sworn allegiance to McArthur. It was during this period that the Communist PKP founder was captured by the Japanese and executed at Fort Bonifacio.

After World War II the U.S. military suppressed the Huks and later, after it achieved independence, the Philippine Government continued this suppression. However, the influence of the Huks, who had strong support among the farming population, was not easily weakened. In 1950 the Huks numbered 12,000 people, with military reserves of 100,000 people. Putting it as simply as possible, it was at this time that the anti-Japanese people's army changed its name to the People's Liberation Army (Hukubong Magpalayang Bayan, abbreviated Huku as it was before), and was reorganized.

It is probably no exaggeration to say that at that time, the Communist Party-Huks had a strength comparable to that of today's NPA. However, the year 1950 was the peak; thereafter its strength had to decline. What was the reason for this? The NPA says that the methods of the Communist Party-Huks were incorrect, and they are trying to take a lesson from this.

The Communist Party-Huks declared that at that time the revolution could be achieved within 2 years, and they directed all their efforts toward the expansion of armed conflict. They established a program by which Party members in lawful occupations, too, would be thrown into the armed conflict, tripling their armed power every 3 months for a period of 2 years. Calling this a rehearsal of the revolution, they repeatedly attacked major cities and towns. In the end, however, this brought wretched results. This impatient power expansion brought about the infiltration of the revolutionary forces by government information organizations. In addition, the U.S. embarked on a program of massive support for the military. This brought about the "reform" of the Philippine government forces and, with the backing of the United States, Magsaysay was installed as the Secretary of Defense.

Until 1954, as a result, the Communist Party-Huks were dealt a crushing blow. On this momentum, then, Magsaysay was inaugurated as President. These events are called to mind when we consider the situation today, when the United States is reforming and propping up the government forces by installing General Ramos as Chief of Staff of the Armed Forces. However, we can not judge whether history is repeating itself or following a different path without critically comparing other factors, as I will say later.

At this point the PKP, which had been dealt such a serious blow, sought to break out of its plight by a precipitous swing to the right. In compliance with President Magsaysay's general pardon, the PKP gave up its weapons in what was apparently a transfer to "parliamentary conflict." From 1957 to 1964 it adopted a "single file policy" strategy. This strategy, in which the party member receiving a directive and the party member conveying a directive were the only two members in contact, was designed to prevent infiltration from the outside.

In this way the strength of the PKP was controlled at its roots. Party members were dispersed, and gradually diminished in numbers.

Among the new party members during the last half of the 1960's was a group which was not satisfied with the methods of the PKP. The core which created today's CPP/NPA came from within this group. Criticism of the party's history and aggressive activity by young people within the population frequently came into conflict with the bureaucratic methods of the old party leadership. Before this group could withdraw from the party, they were expelled.

In 1968, the year following their expulsion, the CPP was created, and the next year the NPA was formed. The leaders of the CPP/NPA reviewed the events of their time; the arrival of Commander Dante was a major turning point. He and others were remnants from the Huks; there was also an armed group from among those dissatisfied by the methods of the PKP. They became the point of departure for a new armed conflict. At this time, it is said, the NPA had only 35 weapons.

The Central Committee of the CPP cited three duties of the NPA:

(1) the NPA will work toward the reconstruction of the Party; (2) it will bring about the revolution among the farming villages, will create its foundation within these villages, and will advance the armed conflict; and (3) it will work toward the formation of a National Unification Front.

This was clearly a major revision of the view that the Huks had simply been a fighting force. Also, since the Huks were mainly farmers, the group differed in that the student activists of the urban areas did not mingle with it.

The NPA put its efforts into political activities not only because it was learning from the failures of the Communist Party-Huks, but also because it sought to learn from Mao's theory of a people's war. The CPP is willing to maintain relations with the Communist Party of the PRC. Although the CPP/NPA seems to be defined as the pro-Mao faction and the old Communist Party-PKP as the pro-Soviet faction, as I will mention later, this needs to be examined closely. The circumstances of the CPP's establishment differ from those of the establishment of the Thai Communist Party and of the Malaysian Communist Party, which were also created in connection with the Communist Party of the PRC. Neither is it true that the CPP was created as a result of the PRC-Soviet conflict. The situation within the Philippines was the incentive for its establishment.

#### Fighting Methods Shaped by the Philippine Topography

When Marcos declared Martial Law in 1972 the differences between the old Communist Party-PKP and the CPP/NPA became decisive.

The PKP welcomed Martial Law. They claimed that this was because it was "an attack aimed at Maoist or Christian fascists (church leftists), pawns of the CIA (Aquino and other politicians)," and others. Although they did, of course, point out the negative aspects of Martial Law, they accepted it from their position of approving all "economic, social and political programs which were for the benefit of the Philippine people," and opposing all policies which were not. They wholly renounced armed conflict. In 1974 a "reconciliation" meeting between Marcos and the chief party secretary was broadcast on television, and halos were visible as, one by one, the loyal party activists turned their weapons over to the authorities.

However, the attempt to revise their political strength in this way did not yield results. A number of party leaders participated in government programs. The now-legitimate PKP decided to put its efforts into the labor union movement, but this turned into a policy of annexation with government unions. Therefore, in 1980, the PKP made a decision to break with Marcos, and announced that it was prepared to participate in a united front of all the opposition groups. At that time, however, there were not many who believed the statement was sincere.

On the other hand, the CPP/NPA, which had opted for armed conflict had faced various difficulties, but its power gradually began to grow.

In comparison to the Huks of the 1950's, the distinguishing characteristic of the CPP/NPA was its caution. It did not instigate any military action until a foundation of firm support had been created among the residents of the region; when it did, it was limited to small skirmishes in order to obtain weapons.

In addition, the government forces made mistakes. They publicized NPA documents which they had obtained and propagandized about the threat of the NPA; this, indeed, benefitted the NPA. Unlike the 1950's, the heart of the people was far from the government, and much support was given to the NPA.

Under Martial Law the scope of activity for political expression of opposition to Marcos was gradually restricted. It was under these circumstances, in 1973, that the Communist Party determined to create a National Democratic Front.

The activists in the CPP/NPA were young people. As a result, they had flexibility but lacked experience. In accordance with Mao's theory, they decided to construct their base of operation in the northern part of Luzon. In this region there are ridges of inaccessible mountains, resembling the topography of the base of operations in which Mao secluded himself. However, in the first year of Martial Law this "base of operations" was exposed to a severe attack by government forces and was destroyed. They had to devise for themselves strategies which would be suitable in the Philippines.

The first theoretical document to do this was, "Special Characteristics of the People's War in the Philippines," written by Amado Guerrero (Jose Maria Sison) in 1974. While relying heavily on Mao's theories of the people's war, it clearly lays out the unique characteristics of the people's war in the Philippines. According to this document, the Philippine topography is "cut up into many islands, among which can be distinguished the two main islands of Luzon and Mindanao, and the innumerable islands of the Visayan chain. Also, the Philippines, a small country, is cut off from other nations by the ocean." Consequently, "in a region where a centralized leadership is restricted, it is imprudent to concentrate that leadership or to concentrate party efforts. The enemy will then concentrate his strength there." Guerrero stated that the appropriate strategy for the Philippines would be to disperse small-scale bases over the entire country. Then each area would have to be self-supporting and self-sufficient in its power. Also, "the high-quality leadership will be dispersed throughout the country, where they will exhibit their initiative, not over a short period of 1 or 2 months, but over a long period of 2 to 3 years or more. This will be advantageous to us in the event that the enemy focuses its attack on a particular island against a particular front or



attempts to put up a blockade." Because the party began to implement this strategy, it seemed for a while as though the activity of the NPA had stopped. In fact, it was during this period that it put down deeper roots and expanded. In Mindanao, too, the activities of the NPA began to expand.

In 1981 when Marcos suspended Martial Law, the NPA began a strategic offensive; on Samar and eastern Mindanao, where there had hitherto been no evidence of NPA activity, the population was surprised by the activity of the NPA.

When Aquino was murdered in 1983, the NPA had been steadily expanding its power over a 15-year period. The murder of Aquino was a trigger; an anti-Marcos movement unfolded throughout the Philippines. Paradoxically, the harder Marcos fought, the more the power of the NPA grew.

#### Questions for Imprisoned Leader Sison

I would like to postpone until next time a discussion of what I learned while on Mindanao about the activities of the NPA and about the process whereby they expand their influence. I would like to hear directly from the founder of the CPP/NPA, Jose Maria Sison (said to be the man, Amado Guerrero).

Sison has been imprisoned for 7 years; he is in Bonifacio Prison. Sison, called the chairman of the Communist Party, frequently makes statements from prison. My interview with him was carried out through correspondence; I would write a letter to him posing questions, and I would receive my replies in a letter from him. What follows are the portions of this interview, which took place at the end of March, which are very significant to what I have written here.

#### Interview

[Question] Why do the farmers participate in the war (the Philippine Communist Party's National Liberation War)? Some people say that it is because of brutalities and oppression by the government forces. Is this true? Are there other reasons?

Sison: The farmer will participate in the war as long as there is no answer to the land problem. The land problem is the greatest issue for the farmer. Philippine society is semi-colonial and semi-feudal. This problem must be resolved by a national democratic revolution.

Although feudalism is a severe problem for the population within the Philippines, they are heavily burdened by the monopolistic capitalism of other nations, mainly the United States. These nations are the leaders in exploiting and oppressing the population. It is for this reason that the population participates in the armed war.

Of course, brutalities and the abuse of authority on the part of the government forces are also major reasons for the participation of the people in the war. Certainly we have to understand that the government forces are part of a reactionary government, and are a tool to impose foreign and feudal control. Since they are part of the Fascist puppet dictatorship serving the benefit of reactionaries from among the Philippine comprador capitalists, the landlord class, and the United States, the government forces have gradually become unfaithful, cruel and corrupt.

[Question] Under strong pressure from the United States there is going to be an attempt to reform the military under the leadership of Chief of Staff Ramos. Do you think that this will go well? Do you think that it will resolve the problems?

Sison: Inasmuch as the military exists as a tool for an antinational, antidemocratic class of people, it absolutely can not reform itself. To the extent that the Philippine people insist on their national and democratic rights, the government forces will become the servant of the United States and domestic reactionary forces. From this position of enslavement it will gradually become inhuman, cruel, and corrupt. Ramos and Ver (the former chief of staff) are as different as Coca Cola and Pepsi Cola. Ramos and Ver are loyal to the United States and the Marcos-fascist gang. Since 1972 they have imposed on the Philippine people a pro-United States fascist counterrevolution.

In the Philippines the true army of the people is one which fights for the liberation of the people, for democracy, and against American imperialism, feudalism and bureaucratic capitalism. The instigators of these three evils are concentrated in the fascist dictatorship of the United States and Marcos which controls and leads the government forces.

[Question] At what stage is the war now, and how do you see it? I would like to hear your reply in detail.

Sison: The armed war of revolution is at the advanced stage of strategic defense. In terms of numbers, equipment and training, the NPA is still inferior to the government forces. Consequently, for strategic reasons it is on the defensive. However, in many regions of the Philippines it is capable of a tactical offensive (at present, ambushes or raids), of destroying a company of enemy soldiers, or of disarmament.

In 1967 the NPA had one armed guerrilla soldier for each 285 regular government troops (350 to 10,000). Now, for each soldier in the NPA with an automatic rifle, there are 25 regular government troops (10,000 to 250,000). The number of soldiers in the NPA is growing rapidly.



The NPA is now active in 63 of the 73 Philippine provinces, and in at least 600 of the 1,500 cities, towns and villages. In a few years it will be active in half of that total number. We will reach a stalemate with the enemy in these regions; it is possible that we would enter the early stages of a strategic equilibrium.

#### Efforts Toward the Formation of an Extensive National Unification Front

[Question] Have you considered the formation of a coalition government? Under what conditions would the Communist Party pursue a coalition government, or even accept one? What is the Communist Party's view of the legitimate opposition, and of the opposition movement?

Sison: Although the Communist Party or other revolutionary forces have yet to win against reactionary nations or the United States and the reactionary forces, my thinking has become clear. Such a coalition government would dismantle the fascist regime, and would seek the national and democratic advantage of the people.

The major condition under which the Philippine Communist Party would pursue a coalition government would be that the bureaucratic and military organization of the reactionary country be destroyed. However, there is some margin for the Communist Party to participate in a coalition government even before that conditions is met.

My own view is that the Communist Party will participate in a coalition government only when national sovereignty and democracy is obtained by the majority. The basic alliance between the laborer and the farmer could be strengthened by a broad-based National Unification Front. Then the NPA would adopt a cease-fire position, or would continue its opposition to the enemy of the people by forming an alliance with other armed forces.

The Communist Party is aware that there are leftist, centrist, and rightist trends within the legitimate opposition. Of course, the Communist Party values the leftist and centrist forces. They are a positive force for a national, democratic revolution through legitimate conflict. At the same time, however, the Communist Party recognizes that the rightist elements are important, too, as they actually hasten the weakening and isolation of the far right U.S.-Marcos regime.

[Question] What about the relationship between the Communist Party and the church? Is there a framework for cooperation with the religious opposition forces against the present regime? How does the Communist Party view the church?

Sison: The Communist Party respects the right of the church, priests, and believers to hold religious beliefs and to engage in religious activities. The Communist Party takes dialectical materialism as its philosophy. However, we believe that we could unite and take action

with all patriotic and progressive classes of people, political parties, organizations or individuals, regardless of their beliefs or world views, to raise the banner of national and democratic benefits for all people, and to defend that idea.

The institutionalized Catholic Church in this country had its origins in colonialism, and is a feudalistic force. Consequently, it has conservative interests. Certainly, Catholics have, in democratic revolutions of the past, made important and exceptional contributions. This is true in the new democratic revolution. We have the participation of Christian organizations, such as the "Christians for National Democracy" in the National Democratic front (NDF). There are Christian (and Catholic) soldiers in the NPA.

The Philippine Communist Party is critical of religion on the basis of dialectical materialism. At the same time it defends the right to believe, and urges Christians to take a patriotic and progressive stand toward social problems. The Philippine Communist Party truly values Christian theology which eschews cooperation with American imperialism and domestic reactionary elements which oppress and exploit the people, and it preserves the values of national liberation, social revolution, and peace.

[Question] It is said that the revolution sought by the Philippine Communist Party is a revolution in the farming villages, and that it is seeking to learn as much as possible from the Chinese revolution. Is this true? If so, what are the unique characteristics of the Philippine revolution?

Sison: As I said before, the land problem is the most serious issue for our national democratic revolution; this is because today's Philippine society is semicolonial and semifeudal. At least 75 percent of the Philippine population is suffering because of exploitation by the feudal or semifeudal system. There will be no realization of national liberation or democracy without the political and economic liberation of the farmer, who is the overwhelming majority of the population.

If we do not achieve our long-term strategy of encircling the urban areas from the agricultural areas, the party will be unable to develop either armed power to overthrow the reactionary government or political power. It is not possible to create a people's army overnight, and then seize authority in the urban areas. If we grab our rifles and parade into the cities, the most we could expect would be to be attacked. The people's army has to be built, and it must have the ability to lure the enemy out and destroy him in the villages.

Today's Philippine revolutionaries have learned quite a bit from the Chinese revolution. Our basic principle is that we should learn from

all successful revolutions. Of course the Philippine revolution has unique characteristics which the revolutionaries must discern after specific analyses.

For example, here, the people's war is taking place on an island archipelago. On each island the revolutionary forces must have a great deal of self-reliance. Since our tactics are decentralized, ideological and political unity is all the more necessary. Extraordinary ability is required to coordinate lawful and unlawful forms of conflict in order to draw out the enemy's strength. (I would like you to read thoroughly Amado Guerrero's "Unique Characteristics of the People's War in the Philippines" and "Our Urgent Duty.")

[Question] Did the CPP change its strategies or tactics after the murder of Aquino? If so, how?

Sison: There have been no fundamental changes in strategy or tactics that would be easily visible. However, the people's anger and the boost to the mass movement which were the result of the murder did serve to isolate the fascist dictatorship. In addition to strengthening the legitimate mass movement toward democratization, it served to strengthen the armed conflict. Also, the enlightened antifascist elements in the reactionary classes were inclined to see Marcos as the enemy and reject him. As a result, the basic link between the laborer and the farmer has been strengthened.

As for the bolstering of a militant mass war, this has not only made it possible for the Communist Party to strengthen the armed conflict, but has also made it possible to find new methods for the National Unification Front to seize power. In any case, the armed conflict continues to be a major guarantee that the revolutionary forces as a whole will grow and advance.

[Question] Some people say that the Philippine revolution has no well-known, charismatic leaders. Most of the well-known leaders, including you, are in prison. I would like to hear your views on this.

Sison: The Philippine revolution is not a personality contest. It is a war of the revolutionary forces against the reactionary forces. If you are going to talk about leaders, you will have to talk about the party which is making the revolution. Certainly, you would mention its theory, the programs which it implements, and the organization of party members. In due course the time will come when the names of the important leaders of the revolution will be known to everyone.

12988

CSO: 4105/305

PHILIPPINES

BRIEFS

**POLICE TRANSFERRED TO CIVILIAN AUTHORITIES**--September 2 is the deadline for the transfer to the National Police Commission [Napolcom] of all the personnel and budget records and equipment of the Integrated National Police. Napolcom Chairman Teodulo Natividad gave the deadline in line with the presidential executive order transferring administration control over the police to civilian authorities. Natividad said Napolcom will be absorbing such powers as appointments, designations, transfers, promotions, suspensions, and separations of policemen. As regards day-to-day operations of the police, the mayors will have the authority to deploy the policemen. [Text] [Quezon City Maharlika Broadcasting System in English 0400 GMT 7 Aug 85]

**HONEST ELECTION MEASURES SOUGHT**--The Commission on Elections [Comelec] is proposing the acquisition of transparent ballot boxes as an additional safeguard for clean and honest voting in the 1986 local polls. Comelec Chairman Victorino Capilano disclosed the proposal during a hearing yesterday at the Batasang Pambansa on the cause of the budgetary request for 262.7 million pesos for 1986. The hearing, conducted by the Batasan Committee on Appropriations, was part of a series of hearings on the proposed national budget for next year. Capilano told the committee that Comelec would need 45 million pesos to purchase the transparent ballot boxes. Comelec, Capilano said, is also considering the use of indelible ink in 1986 local elections, which could require about 6 million pesos. [Text] [Quezon City Maharlika Broadcasting System in English 0400 GMT 9 Aug 85]

**LABOR MINISTER DENOUNCES STRIKE**--Labor and Employment Minister Blas Ople said yesterday that the participation in the welgang bayan [national strike] which is being organized by a radical group is a political act that cannot be sanctioned by labor laws. He said both employees and workers who support or participate in the projected protest move would be liable to sanctions, particularly workers who can be replaced by virtue of a recent edict. Minister Ople spoke about the welgang bayan which some hard-core groups are reportedly seeking to organize in a forthcoming memorable day during an open forum following luncheon with the European Chamber of Commerce in the Philippines. [Text] [Manila Far East Broadcasting Company in English 2300 GMT 8 Aug 85]

BRITAIN PLEDGES AID--British Ambassador to the Philippines Robin McLaren has said the British government will help the Philippines solve its economic problems. Ambassador McLaren said his government will help in the efforts to reschedule the country's debts. He said the two countries enjoy good trade relations with the Philippines. [Text] [Manila Far East Broadcasting Company in English 2300 GMT 9 Aug 85]

RETIRED JUSTICE ON MARCOS IMPEACHMENT--A retired supreme court justice explained an issue involved in the impeachment charges against President Marcos. Retired justice Ruperto Martin said that the president, being elected by the people, can only be removed from office by the people themselves. [Text] [Manila Far East Broadcasting Company in Tagalog 1000 GMT 8 Aug 85 HK]

CSO: 4211/82



SINGAPORE

# PAPER COMMENTS ON FACING ECONOMIC SITUATION

BK061455 Singapore THE STRAITS TIMES in English 6 Aug 85 p 14

[Editorial: "Facing Up To the New Reality"]

[Text] With all the talk about the hard times ahead and the visible signs of economic decline, Singaporeans have largely accepted the fact that an adjustment to the new economic reality is inevitable. What will not be so readily swallowed is the medicine to help us recover from the present difficulties. It will be a particularly trying test for a young electorate, nurtured in times of plenty, to come to terms with austere measures. But if the Singapore economy is to be put back on the right track, there is really no alternative to belt-tightening.

Some people will find this an opportune moment to lay blame for the current economic problems squarely on the shoulders of the government. There will be attempts to convince an electorate which has demonstrated the desire for an alternative voice in Parliament that it is in their interest to increase the opposition numbers, or even to have an alternative government. That is not the answer to the problem.

In the last general election, a section of the people wanted to send a signal of displeasure to the PAP [People's Action Party], which they did, although they still wanted the party to form the government. But, if by some strange twist of fate, the swing against the government had been larger, we could have ended up with many opposition candidates in Parliament and a considerably weakened PAP government, or worse still, a divided coalition government comprising representatives from the various opposition groups. Fortunately, this did not happen but it remains a plausible scenario in future elections.

Such a scenario would have rather chilling consequences. The ensuing political chaos is simply unimaginable. Not only will foreign investors be frightened away, we would have lost a strong government which has guided the country on a steady and progressive course since independence. There can be no doubt that our economic well-being and political stability are closely interlinked. This important factor should always be borne in mind. Whatever misgivings some people may have about the PAP, it is the only party which can form a viable government in the foreseeable future. Unless and until the opposition proves to be a serious alternative, there should be no illusions about a non-PAP government.



The problem is how to have participatory politics without adversely affecting the overall political stability of the country. It is unlikely that there will be a return to a one-party Parliament. The government too is conscious of the fact that the voters want to have their say in the decision-making process. A healthy balance will have to be sought. But a clear line should be drawn beyond which unity must take precedence over everything else. In this difficult period of transition, Singaporeans cannot afford to let fractious politicking bring down all that they have achieved in 25 years.

CSO: 4200/1369

SINGAPORE

PAPER URGES FIGHT AGAINST ECONOMIC DETERIORATION

BK091257 Singapore THE STRAITS TIMES in English 7 Aug 85 p 18

[Editorial: "Don't Falter, Fight Back"]

[Text] It was an alert, not a panic, button that Mr Lee Kuan Yew pushed in his National Day message. The economy contracted by 1.4 percent in the second quarter and the revised forecast is zero growth for the year, or negative growth if business in the U.S. fails to pick up. The outlook is grim. There are a number of reasons, however, why we should also look on the bright side and remain confident of recovery.

Firstly, although it has been rapid, the decline in growth has been from the high base built up during recent expansionary years. The economy has been put on a sound footing in the last six years of restructuring and has become more resilient. We have eggs in more baskets than before. Secondly, experience gained in managing past crises, such as those caused by Confrontation, the British military withdrawal and two oil shocks, has helped to equip us to deal more effectively with the current difficulty. Although those previous problems had specific causes and required specific responses, their successful resolution lends psychological strength if not practical guidance in dealing with the present slowdown, which has more general causes.

Thirdly, the quality of our labor force has improved in recent years as skills are upgraded with which to man more and more sophisticated machines, thus increasing productivity. Fourthly, infrastructural facilities and services have become more widely available and have also been improved. And finally, there's still the asset of being in an advantageous geographical position.

All these positive factors by themselves, of course, do not guarantee that we will succeed. Tremendous effort is still needed on the part of everyone -- government, labor and management -- not least because we need to overcome the tendency to take for granted the almost automatic growth in the past. The government has taken the lead in identifying the problems and working out a rescue strategy. Workers have made a start by forgoing NWC [National Wages Council] recommended pay increases and agreeing to wage restraints,

thus sending a favorable signal to foreign investors. Management, especially those of small and medium local businesses, will have to have the most of what the government has to offer and find their niche in the market.

In searching for a solution by way of higher productivity and reduced costs, no sacred cows should be left untouched. There is no alternative to making the economy more flexible and responsive to external market forces and internal structural changes. Singaporeans cannot afford to falter; they must fight back rationally. And if Singapore as a whole can endure the pain and ride out this setback, the economy will be in healthier shape than ever before, and we can then share in the fruits of renewed success.

CSO: 4200/1369

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THAILAND

SCIENCE MINISTER'S DEATH REMAINS 'MYSTERY'

BK300303 Bangkok BANGKOK POST in English 30 Jul 85 pp 1, 3

[Text] The motive behind the suicide of Science, Technology and Energy Minister Damrong Lathaphiphat, who shot himself dead yesterday morning, remained a mystery last night.

Although Police Chief Gen Narong Mahanon could not offer any immediate reason for the suicide, close associates have said that the minister had been troubled by his work lately.

But scientists close to the minister dismissed "problems at work" as the motive.

Mr Damrong shot himself in the right temple with his Smith and Wesson .38 pistol as he was sitting in the back seat of his car being driven to work.

The minister was scheduled to attend a special Cabinet meeting to discuss the Sixth National Economic and Social Development Plan starting at 9:00 a.m. The shooting happened after he asked his driver to circle Government House a few times while he studied a draft report of the plan.

The Director of Phya Thai Hospital Dr Suraphong Amphanwong told reporters that the minister, who was one month short of his 53rd birthday, arrived at 9:07 a.m. in a coma.

He died some two hours later.

Prime Minister Prem Tinsulanon expressed shock and sorrow over the death of Mr Damrong and described him as a "hard-working official who brought progress to his Ministry."

Public Health Minister Marut Bunnak, one of the first government officials to rush to Phya Tai Hospital, said yesterday he believed Mr Damrong committed suicide because of strain and tension resulting from his work.

Mr Marut and one family member who declined to be identified ruled out domestic problems as a possible motive.

Permanent Secretary for Science and Technology Sa-nga Sapphasi said yesterday that Mr Damrong was dissatisfied with the Sixth Plan which gave little importance to science and technological development.

The secretary quoted the minister as saying before his death that very little emphasis was given to science and technology to allow any goals to be achieved.

Dr. Sanit Khamphomphun, the governor of the Thailand Institute of Scientific and Technological Research, and a close aide to Mr Damrong in the economic advisory committee, said that the minister did not have any serious work problems at the Ministry as he received the full cooperation of his subordinates.

Dr Mali Suwanna-at said: "It does not make any sense that Mr Damrong committed suicide because of serious work problems.

"We all know that Khun Camrong overcame an uphill task when he first became minister of this forgotten ministry," she added.

Mr Marut and other MPs denied that the motive for suicide was because of conflicts within the Democrat Party of which Mr Damrong is the Deputy Leader and the sitting Democrat MP in Huai Khwang.

Informed Democrat Party sources told the POST, however, that at the last party meeting on Thursday where the choice for the party's candidate for the City Governorship was being debated, conflicts arose.

Police Maj Pornthep Prasertphand, the minister's personal bodyguard, confirmed that the minister was troubled on Thursday because after dropping him off at home around 10:00 p.m. that night, Mr Damrong asked him to stay on and talk with him.

Both men chatted until about 4:00 to 5:00 a.m. on Friday.

Government Spokesman Trairong Suwannakhiri also said yesterday that Mr Damrong called him up on Friday asking to meet him because he was troubled and needed to consult with him.

Dr Trairong said he would be free Saturday at 4:00 p.m., adding that he would be willing to come over and see the minister.

The government spokesman said, however, that the minister did not call on Saturday and thought that they could discuss the problem during yesterday's Cabinet meeting.

Mr Marut and one family member who declined to be identified ruled out domestic problems as a possible motive.

"It's not possible. He was an even-tempered man who loved his wife and children," said the relative during a telephone interview at the Lathaphipat home yesterday morning.

Mr Damron's wife, Somsri Lathaphipat, has not spoken to the Press.

But informed sources told the POST last night that during his conversation with Maj Phonthep on Thursday night until early Friday morning, the minister had alluded to a looming problem which could affect his honour.

The informed source quoted Mr Damrong as saying that the bodyguard must understand him (the minister).

The minister told Maj Phonthep that he (the minister) comes from a good and honourable family, that his wife, his children, his relatives, and his father-in-law "were good people."

"But there is about to be a problem with regards to honour that is going to happen to me," the minister told the bodyguard, the source said.

The source said that the minister did not tell his bodyguard exactly what the looming problem was.

Royal Bathing Rights will be held for Mr Damrong today starting at 5:00 p.m. at Wat Thepsirin's Sala Damrongtham.

CSO: 4200/1302



THAILAND

SPOKESMAN ON CABINET MEETING ON 5-YEAR PLAN

BK310402 Bangkok BANGKOK POST in English 30 Jul 85 p 15

[Excerpt] The Cabinet yesterday approved in principle the direction and policy framework of the Sixth National Economic and Social Development Plan which calls for a stabilized economic growth of not less than 5 percent during fiscal years 1976-1991.

Government spokesman Dr Trairong Suwannakhiri said however, that the meeting postponed until next Monday, a decision on the nine development plans contained in the latter part of the master plan, because the Cabinet required more time to carefully consider them in detail.

At the same time, an informed source told BUSINESS POST that the Cabinet strongly grilled and criticized the draft plan, presented yesterday by the National Economic and Social Development Board (NESDB), because it failed to include many important issues.

According to Dr Trairong, the special meeting chaired by Prime Minister Gen Prem Tinsulanon and attended by all Cabinet members -- minus Minister for Science, Technology and Energy Damrong Latthaphiphat -- said the Cabinet, after deliberating on the issue for almost four hours, agreed that the country's economy should expand by at least 5 percent on an average during the next five years as envisaged in the Sixth Plan, by taking into consideration several constraints, like worldwide economic slump, which would force the country to carefully implement its policy.

Under the current Fifth Plan, the country's annual economic growth is targetted at 6.5 percent on average.

He said further that although the report has already included social development like income distribution and job creations, the meeting has asked the NESDB to clearly specify this sector.

However, the source said most Cabinet members who extensively discussed and criticized the issue, opined that the 5 percent annual economic growth target set by NESDB was "too high" that it was unlikely that the country could achieve such a rate under the present circumstances.

The source said they felt that the 36-page draft report prepared by the NESDB was "unclear" and that many important issues were missing from the plan.

On the implementation guidelines, Dr Trairong said the meeting agreed on the three-point guidelines. The first one is the emphasis on the continuous implementations of the policies slated in the Fifth Plan for those projects or plans which were already initiated and were expected to be fruitful.

The second guideline is to boost efficiency and quality through the utilization of appropriate technologies to enable the country to effectively compete with other countries in terms of both production and marketing.

The third one is to improve the administration system by "unifying forces" in a systematic and complete cycle way, so as to increase efficiency and quality of the second guideline.

They, however, postponed the discussion on the nine development plans which include development plans for monetary and fiscal matters, environment and natural resources, rural, city and specific areas, social, human and labor, production and marketing technology, basic services system, state enterprises and administration reform and review of government role in developing the country.

CSO: 4200/1302

THAILAND

KIDNAPPING HALTS ROAD CONSTRUCTION ON BORDER

BK020254 Bangkok BANGKOK POST in English 2 Aug 85 p 3

[By Subin Khuenkao]

[Text] Chiang Mai--A royally-initiated border road project in this province has been disrupted for more than two weeks following the kidnapping of a Highways Department engineer in the middle of last month.

The kidnap followed a series of threats by armed minority groups which control opium fields and drug trafficking routes on the hilly terrain which the road is to cut through.

Since the Highways Department and the National Security Council began construction of the 30-kilometer road from Ban Kae Noi in Chiang Dao District to Ban Piang Luang of Wiang Haeng District early this year, the workers have received several threats from the groups which fear that the road will jeopardize their illegal activities.

"They sent us letters, put up posters on jungle trails declaring the area off-limits to construction workers and even threatened to disrupt construction work," a Highways Department source said.

The kidnapping is the most serious action against the road construction crew and it prompted an order by the Lampang-based Highways Department's Mechanic Center Chief, Prawat Rattanasuwan, to stop construction work for safety reasons.

Border security sources said the fate of the kidnapped engineer, Thatsanachai Kang-hae is still a mystery. He is being held by a group of armed hill-tribesmen for a 200,000 baht ransom.

Border forces have been unable to establish which groups is responsible for the kidnapping after more than two weeks of investigation.

Construction workers, meanwhile, have refused to go back to work unless the kidnapped engineer is rescued or released and the security situation in the area is improved.

The Ban Kae Noi-Ban Piang Luang road was part of a 147-kilometer border road initiated by His Majesty the King to upgrade and develop villages along the Thai-Burmese border.

The Highways Department had completed only about eight kilometers of the last 30-kilometer stretch when construction was disrupted by the kidnapping.

The sources said that the area the road cuts through is under the control of at least three minority groups which include the Tai Revolutionary Council--the biggest armed guerrilla force operating from outside the country.

The second group was the liberal Chinese Hlaw which commanded about 2500 armed men and the third was the Lahu State Army under the leadership of Phaya Cha-ue, now being detained by Thai police in connection with the murder of two Border Patrol policemen a few years ago.

Phaya Cha-ue was arrested along with eight Lahu hilltribesmen shortly after the kidnap, but all, except Phaya, were released after police decided that they were not involved in the kidnapping.

CSO: 4200/1302

THAILAND

UNION DEMANDS REINSTATEMENT OF FIRED LEADERS

BK040155 Bangkok BANGKOK POST in English 4 Aug 85 pp 1, 3

[Text] The Labour Congress of Thailand [LCT] last night threatened to call a general strike unless the State Railway of Thailand [SRT] reinstates the four unionists it fired on Friday.

After a day-long meeting, the LCT, which claims to have the largest number of union members, formed a ten-man task force to negotiate with the SRT management and the Government on its demand for the reinstatement.

The LCT's demand was supported by its rival labour council, the Thai Trade Union Confederation (TTUC), whose representatives also attended yesterday's meeting.

A TTUC representative said that if the unionists failed to get the men reinstated, it would deal a severe blow to the labour movement because it showed that it lacked the muscle to defend even its leaders.

The demand will be submitted to the Government and SRT management on Monday.

Ahmad Khamthethong, chairman of the SRT's Labour Union and also president of the LCT, was among the four workers dismissed by the SRT for allegedly instigating the rail strike early last month.

Mr Ahmad flew back from Japan last night and said he would "continue fighting." He claimed that the Government had earlier promised that workers who went on strike would receive no punishment.

Ahmad, who was greeted at the airport by about 50 labour leaders, called for support from workers in both the government and private sector. He said that if this support were not forthcoming, the labour movement would collapse.

Meanwhile, SRP governor Banyong Soralum said yesterday that the management had carefully studied the matter before coming to the conclusion that the four unionists had committed "the most serious misconduct" by instigating railmen to stage a strike in early July.

"It shows that they had no regard for the hardships that would be caused to the public," he said.



His statement indicated that the SRT management will not submit to the unionists' reinstatement demand.

Asked about possible reaction from the SRT union, Mr Banyong said he had thought about it, but claimed that the majority of railwaymen agreed with "the maintenance of law and order." Admitting that the four men were powerful figures in the labour movement, he declared that exceptions could not be made for "a privileged few."

Workers in state-run public utilities including the SRP are not allowed to strike.

Referring to Mr Ahmad's case, the SRI governor said that the management would file both civil and criminal charges against him.

"We have sufficient evidence to do so," Mr Banyong claimed.

Labour Department chief Chamnan Photchana supported the dismissal saying that the SRT management must have considered the matter carefully before reaching its decision.

Chairman of the SRT's Board of Directors, Gen Thianchai Sirisamphan, said that the four dismissed labour leaders are entitled to appeal the SRT's decision within 15 days. He said he believed that the SRT had done everything in accordance with the law.

The SRT management, he claimed, had tried its best to reach a compromise, but the unionists had defied the order to halt the strike.

On the back pay issue, he said that the SRT would abide by the ruling of the arbitration committee to pay its workers, but admitted that the payment could not be made right away because of its financial position.

Gen Thianchai said that there will not be any more dismissals in the near future.

But Assistant Army Commander-in-Chief Gen Mana Rattanakoset disagreed with the dismissals, saying that "such an elimination of people with opposing views is not right."

Besides Ahmad's supporters, the LCT meeting was attended by the three other leaders who were dismissed by the same order. They were SRT union vice president Pita Kangwan, president of the SRT Employees Union Phat Matrarat and secretary of the Makkasan Workshop Workers Group Kosum Klomket.

CSO: 4200/1302

THAILAND

#### DAILY SCORES PASSIVE REACTION TO JENKINS BILL

BK310224 Bangkok BANGKOK POST in English 31 Jul 85 p 4

[Editorial: "Stormclouds Over the Textile Industry"]

[Text] When the U.S. Congress returns from recess in a month's time, the Jenkins Bill regulating textile imports is likely to be passed into law. This will have enormous negative repercussions on the Thai textile industry and on our economy in general.

The great pity of all this is that our businessmen and trade officials have had plenty of warnings of the shape of things to come but have stilled their outcry until the eleventh hour, preferring to waste time wallowing in a strange kind of optimism that somehow, like a bad dream, the threat will suddenly go away. In a month's time, though, they are likely to be in for a rude awakening. The danger is that Thailand's garment manufacturers, furniture makers, silk industry, shoe makers and the toy industry will be crippled by the American protectionist measures and the businessmen will find they have no one to blame but themselves for getting caught in the center of the great Jenkins onslaught to roll back imports.

The storm warnings have been hoisted since February when the bill was in an embryonic and malleable form, but many businessmen chose not to listen. But their counterparts in other textile-exporting countries threw their efforts into lobbying to get the bill to favour their position. It is ironic that many of our businessmen chose to believe that the bill could never be passed because Thailand and the United States are friends. The truth is that we have no treaty with the U.S. which states that we enjoy a special status.

When Jenkins Bill opponent and former ambassador to the U.S., Prok Amaranan spoke some years ago about the danger of this sort of protectionism becoming a reality, few government and private sector people took him seriously. Today, on the eve of the Jenkins Bill being passed, it is alarming to find that scepticism still exists among our leaders.

To be sure, if there ever was a time when our "kreng-chai" (we do not want to impose on you) or "mai pen rai" (do not worry) attitude is inappropriate, then this is it.

The effects of the bill could cost us 5,000-6000 million baht annually in lost earnings. It will severely affect some 600,000 families who depend on the textile industry for employment. In some areas, Thai exports will be cut by as much as 75 percent.

Mr Prok Amaranan and the Thailand-U.S. Trade Council have warned of the dangers ahead. The American Chamber of Commerce has stated its opposition to the bill. Representations have been made to American Secretary of State George Shultz. But so far there has yet to be a sustained, concerted effort by the Government and private sector to ward off this crisis. If nothing is done and the bill is passed as it stands now, many bitter Thais may start shifting the blame for this on to the Americans themselves, instead of asking what they themselves did to avert the situation.

A bad workman blames his tools. A bad businessman blames his competition. But who will be accountable if the Jenkins Bill makes nonsense of our projected export earnings and throws tens of thousands out of work to fend for themselves on a saturated labor market.

CSO: 4200/1302

THAILAND

DAILY CITES ECONOMISTS ON IMPACT OF JENKINS BILL

BK310150 Bangkok BANGKOK POST in English 31 Jul 85 p 1

[By Cimi Suchontan]

[Text] The Jenkins Bill will almost certainly be passed this September and hit Thailand's export industries like a blitzkrieg, top members of the Thailand-U.S. Trade Council warned yesterday.

Advocates of the protectionist textile bill include heavyweights like senators Edward Kennedy, Daniel Moynihan, Nelson Rockefeller, Strom Thurmond and Ernest Hollings. Many were moving rapidly to get it passed in Congress, he [as published] said.

"There is a \$11 million fund to get the bill passed," said a leading economist in the council.

Among the many new clauses in the Jenkins Bill, will be a new licensing system and a new quota and tariff system which will destroy Thai exports in their second biggest market -- the U.S.

"It could overnight cripple Thailand's exports," said a council member, giving the following scenario:

-- Mass confusion would result as exporters and importers have never dealt with a protectionist bill of this size.

-- Strand Thai cargos in U.S. docks for weeks; and seriously affect goods especially garments which in the U.S. have only a 90-day season to be sold. The delay could prove disastrous to Thai exports for many months.

-- A smaller share of the U.S. market could result if Thai exporters failed to move quickly enough to secure new export licences -- a new system under the bill. These licences are tentatively to be auctioned but and are still little understood.

-- Chaos could reign in the new quota system as the Jenkins Bill covers even the 1985 quotas. Thailand's quota for this year may be well over its limit already; this would severely affect Thai exports for the remainder of this year and next year.

-- Mass unemployment would result overnight in Thailand's textile industry which 600,000 families depend on.

-- Stifle infant industries such as the Thai silk industry will be severely affected as they have previously never been taxed.

The Jenkins Bill will affect other Thai industries such as furniture and toy exports that use in part, textile materials, he said.

Many new Board of Investment-backed projects will be badly hit too, he said.

It will hurt Thailand more than most other Asian export countries such as Taiwan, Hong Kong, South Korea and Singapore, he said.

The bill, however, will favor countries like Mexico, the Caribbean nations, Canada and EEC countries, said Jane Beseda, a specialist in U.S. Customs who yesterday spoke on the effects of the Jenkins Bill at a Thailand-U.S. Trade Council seminar.

"If there was a pecking order," said one council member, "it would appear that Thailand stood at the bottom of the line."

According to the council economist, quite a few Thai businessmen in the garment industry actually do not take the Jenkins Bill seriously.

Many Thai businessmen have the illusion that the bill will not get through because Thailand's so-called "special ties" with the U.S. will prevent this, said Prok Amaranan, a leading opponent of the bill.

"This is but a mirage, an illusion," said the former Thai ambassador to Washington.

This so-called special relationship status does not exist on paper, he said.

Mr Prok, who returned from his Washington posting three years ago, said there is no-one in the American capital lobbying for Thailand, unlike most countries who have strong lobbies in the U.S. Congress and Senate.

CSO: 4200/1302



THAILAND

BRIEFS

BODY OF KIDNAPPED ENGINEER FOUND--Chaing Mai--The body of a construction engineer who was abducted by hill tribesmen on July 11 for a 200,000 baht ransom was found yesterday morning, police reported. The body of Mr Thatsanachai Kang-hae, 40, was found buried near the foot of a hill about half a kilometer from where he was kidnapped. The body was said to be decomposed prompting police to believe that he had been killed several days ago. Thatsanachai and three workers were kidnapped on July 11 by three armed men while driving home after inspecting the construction of a strategic road between Ban Kae Noi of Chiang Dao district and Ban Pieng Luang of Wiang Haeng district. One of the workers was later set free with a ransom note demanding 200,000 baht in exchange for the engineer's release. The other workers were later released unharmed. There had been no word on the engineer's fate until his body was discovered. Police have arrested a Lahu tribal chief, Phaya Cha-Ue, as a suspect in the kidnapping. [Text] [Bangkok BANGKOK POST in English 4 Aug 85 p 3 BK]

CSO: 4200/1302

WESTERN SAMOA

BRIEFS

WARNING OF SOVIET ACTIVITIES--A senior officer of the Royal Australian Air Force [RAAF], Wing Commander (Farrend), has warned of increased Soviet activity in the Pacific. He said that over the past 2 years, the Russians had doubled the size of their naval fleet in the region. Wing Commander (Farrend) was speaking in Apia, capital of Western Samoa, where an RAAF Orion aircraft was one of several planes to land for the first time on the recently completed airport extension. Australia provided \$4 million to Western Samoa for the major extension and upgrading of the runway. The RAAF Orion is in Apia also as part of Australia's surveillance program of the Pacific Island Exclusive Economic Zone. Wing Commander (Farrend) said that every Soviet ship in the Pacific, regardless of whether it was civilian vessel, had a military function. [Text] [Melbourne Overseas Service in English 0430 GMT 11 Aug 85]

CSO: 4200/1365

INTERNATIONAL RELATIONS, TRADE AND AID

IMPORT-EXPORT WORK DISCUSSED

BK101130 Hanoi Domestic Service in Vietnamese 2300 GMT 6 Aug 85

[7 August NHAN DAN editorial: "Implementing the Resolution of the Fifth Party Central Committee's Eighth Plenum: Let us Discard the Centralized, Bureaucratic, and Subsidy-based System and Effect a New Change for the Better in Export-Import Work"]

[Text] It is a pressing economic task of strategic importance for our country to strive to increase exports if we want to obtain more imports. This is to promote increased production, thus contributing to serving various socioeconomic tasks already pointed out in the many resolutions of the party.

Over the past few years, led by the party Central Committee and the state, the foreign trade sector has joined with other related sectors in mapping out many policies and systems which have initially helped iron out a number of problems, overcome difficulties, and develop the initiative and creativity of various sectors, localities, and establishments in creating the source of exports.

Several sectors and localities have embarked on improving their export-import systems and have increased exports so they can afford more imports, thus contributing to overcoming imbalances in terms of supply and raw materials.

The country's export volume for the period 1981 to 1984 increased sharply. Compared with the 1980 level, the export volume attained in 1981 was 111.9 percent; in 1982, 158 percent; in 1983, 158 percent; and in 1984, 181 percent. The average annual export increase rate has been 17.3 percent. Compared with the demands and capacity, this outcome has, however, been regarded as still low. Although already narrowed down, the gap between export and import is still large. Efforts to improve the structure of goods have been slow, and this structure has been regarded as fragment. There has been an absence of major commodities that hold an important position in international trade exchange. The qualities of a number of goods have not yet been stabilized. Even worse, certain kinds of goods have shown a drop in their qualities at a time when there is a demand in the world market for goods of better qualities.

One of the important reasons for the above situation is the long-time existence of the centralized, bureaucratic, and subsidy-based system of management over the economy in general and over export-import operations in particular. Many problems regarding those policies, systems, and measures which need to be applied to suit the situation at home and in the world have not yet been basically solved and, therefore, have hampered production and business efforts.

Making capital investment in export activities is regarded as the most important step. However, not much has been done because the source of capital has been scattered. The tendency to rely on imports has still been prevalent. Centralism, bureaucracy, and subsidization continue to exist mainly in planning. There has been a failure to realize the specific situation of the foreign trade sector in the initial stage of the transitional period in our country and to be fully aware of the fact that the source of exports is scattered and originated from different economic sectors, and that the source of imports is mainly concentrated. Only by realizing these facts can we build up a good export-import management system and fix appropriate prices for buying exports and selling imports.

Material conditions needed for the manufacture of export-oriented goods have not been ensured, and there have not been enough conditions for implementing fully and scrupulously various policies on prices and wages as well as on the system of bonuses for export achievements.

Production and business establishments are units directly responsible for creating the source of exports. However, they do not have enough conditions for achieving self-governing in the fields of planning, supply, finance, manpower, and wages due to the fact that they have distributed imports at low prices and that their production activities have been carried out in accordance with the system of receiving raw materials and turning in products.

In running their business, they have applied the method of making income just enough to cover expenditure, thus leaving the state to take care of profits or losses without relying on the basis of socialist economic accounting and business transactions. They have not used value as a yardstick to measure the efficiency of their business transactions. The only thing they can do is to compute the increase or decrease in transportation cost. Moreover, their computation for fixing the prices for selling imports and buying exports has been based on their internal backward method of price fixing which does not reflect faithfully and correctly the relations between international market value and domestic market value and the relations in buying power between the domestic and foreign currencies.

The consequences of centralism, bureaucracy, and subsidization have led to a situation in which authority has been characterized by centralism and bureaucracy, responsibility has been widely divided, obligation has

not been fully complied with, privileges have not yet been resolved satisfactorily, and production and business transactions have all been restricted for lack of dynamism and creativity and have failed to create an economic incentive for increased exports. Therefore, there existed the state of officialism in the allocation of supplies and distribution of raw materials and the practice of forcing the classification of the categories of goods and forcing the price fixing in the purchase of exports, thus amounting to creating an obstacle between production and the world market.

Slow efforts have been made to implement various correct party policies aimed at developing the latent potentials in manpower, land, branches, and trades; and promoting the dynamism and creativity of various localities and establishments in stepping up production to increase the source of exports. There have also been many problems in directing the implementation of these policies. Some negative phenomena have also been sprung up in export-import activities, thus adversely affecting the domestic market.

To contribute to boosting exports, we must carry out uniformly various policies and measures that promote increased production of exports and intensified management over export-import activities in conjunction with efforts to renovate the export-import system on the basis of discarding centralism, bureaucracy, and subsidization and switching completely to socialist economic accounting and business transactions.

With planning as a central task, we must renovate the export-import system with the main purposes of linking export with import in an appropriate manner, linking production with foreign market, achieving a balance at varying degrees for the export-import activities of various sectors and echelons, generating an ever increasing source of foreign currencies for the state, and creating still greater chance for renewing the production of exports.

Renovating the export-import system must first start with the planning job. In planning, we must ensure the balancing and realistic character with priority to be given to selling sufficient material and goods to the production sector and buying exports. In carrying out planning, we must reserve an appropriate amount of foreign currencies or supplies brought about by export in order to renew the cycle of production and buy export goods.

On the basis of keeping ourselves fully informed of the resolution of the fifth party Central Committee's eighth plenum and the many decisions of the Council of Ministers on export work, we must renovate planning activities for the foreign trade sector with regard to legal norms, the inventory and report system, and the system of selling or awarding materials to promote exports.



We must renovate the financial, banking, and pricing system as well as the many policies and procedures on credit loans in order to help resolve problems for production and business establishments as these establishments play an important role in implementing the export task. We must endure efforts to purchase and secure the source of goods, trying to see to it that these goods are compatible with specifications for export goods, most of which are agricultural, forestry, fishery, artisan industry, and handicraft products turned out by the collectively- and family-run economic sectors.

We must correctly determine the internal rate of exchange in order to use it as a basis for economic accounting in foreign trade transactions, and to serve efforts to shape up a pricing system in the country.

We must reorganize the export-import system in order to produce ever greater results and intensify management over export-import activities in accordance with the principles of state monopoly of foreign trade, unified management over foreign exchange services, and guard against competitive trade and price increases.

We must redetermine the prices for selling imports and buying exports in accordance with newly improved method of achieving a balance in prices. The prices for buying exports must be fixed in such a way as to help promote an increase in the qualities of goods in accordance with the principle of making up for material expenses and with rational production norms. The income of the laboring people engaged in the production of export goods must be raised.

We must determine the financial autonomy and the decision-making right in trade, carry out economic accounting, uphold a sense of responsibility, and pay attention to material interests in order to help those units dealing in exports really enter the trade business and make more contributions to the cause of economic construction and development.

We must bring into vigorous play the efficiency and dynamism of the foreign trade sector in organizing production and generating the source of exports in order to contribute to building a new economic system.

While clearly delineating the functions of managing the state and the functions of managing business transactions, we must strengthen and rearrange the organizational system of the foreign trade sector, from the central down to local levels.

We must increase the training of cadres, especially those cadres directly engaged in export business. These cadres must be well informed of the domestic economic situation and must be experienced in foreign trade.



In discarding the centralized, bureaucratic, and subsidy-based system of management and switching completely to socialist economic accounting and business transactions, while carrying out foreign trade, we must firmly grasp the common goals of promoting the increased production of exports, meeting the requirements for imports of the national economy, ensuring the systems of the state monopoly of foreign trade and the unified control by the central government over foreign trade, ensuring the enforcement of the foreign economic lines of the party and the state, implementing satisfactorily various agreements and protocols on barter trade between our state and other countries, ensuring the unified actions of various export-import organizations in the world market for the sake of the country's common interests, ensuring the economic results of export-import operations, and contributing to the struggle for the transformation of and control over the domestic market and prices.

As an immediate task, while building and perfecting gradually the new export-import system, we must develop all the newly created advantages, overcome difficulties in supplies, cash, and transportation, strive to fulfill successfully the 1985 export task, and effect a vigorous change for the better for the ensuing years.

C50: 4209/580

INTERNATIONAL RELATIONS, TRADE AND AID

DELEGATION ATTENDS FORESTRY CONFERENCE IN MEXICO

OW081335 Hanoi Domestic Service in Vietnamese 1100 GMT 6 Aug 85

[Text] Delegations of more than 100 countries, including the SRV, recently attended the Ninth World Forestry Conference in Mexico. The Vietnamese delegation was headed by Vice Minister of Forestry Tran Son Thuy.

At the conference, the Vietnamese delegation met with the delegations of the Soviet Union, Cuba, the GDR, Czechoslovakia, and Bulgaria and exchanged experiences in building and developing tropical forestry and views on some essential activities of Vietnamese forestry.

The fraternal countries highly valued these activities, which are consistent with the present era's common trend, namely, that forestry must be linked to agriculture and other concerned branches in construction and development and must serve the people.

After the conference, the Vietnamese delegation toured a number of Mexican forestry establishments, including a saw mill, a plywood plant, a wooden goods factory, and a musical instrument enterprise.

The delegation's activities have opened prospects for Vietnam's cooperation with other countries in developing its forestry sector.

CSO: 4209/580

NEW MANAGEMENT SYSTEM DISCUSSED

BK071211 Hanoi Domestic Service in Vietnamese 2300 GMT 4 Aug 85

[5 August NHAN DAN editorial: "Satisfactorily Carry Out the Initial Step in Preparation for Switching to the New Management System"]

[Text] In a short period of time, various echelons and sectors have made great efforts in implementing the party Central Committee eighth plenum resolution. Many localities have engaged in preparation for switching to the new management system by paying wage earners in cash instead of paying them in kind and by pegging wages to production costs. Many localities have tried this new system at the provincial and city levels, others tried at the district, town, and grassroots levels. Some localities have pegged other expenses, besides wage, to production costs, others have pegged only wages to production costs.

Initial results indicated that orientation and position of the party Central Committee eighth plenum's resolution are correct, rational, and realistic, thereby meeting the aspiration of the working people.

First, the workers and civil servants now pocket their own wages in cash, thereby eliminating embarrassment caused by the distribution of stamps and the coupon system, and bureaucratism caused by trade officials. Their daily life is better than in previous days. The people's standard of living has been stabilized and improved at localities where wage payment is made in cash according to schedule, and where consumer goods are abundant and the economic lever is correctly applied. Cadres and civil servants working in rural areas, and teachers and retired cadres living in localities have shown their enthusiasm because they are now not subjected to an arbitrary cut in supplies or delay in payment of stamps and coupons by the trade sector.

Second, the socialist trade sector has begun changing its concept and method of carrying out its activities by combining business transactions with services. The state-run trade sector and cooperatives have established more goods selling points and increased mobile goods selling units. They granted incentives in terms of money to encourage trade officials to increase trade revenue. The trade officials' work attitude is more enthusiastic. Selling and purchasing activities of

unified prices at many trade units are more lively. Control of money, goods, especially foodstuff and pork, is improving. Corruption obtained through price differences and the trading of long-term ration stamps and coupons has decreased remarkably.

Third, various weakpoints and loopholes in carrying out business management on the basis of bureaucratism, subsidization, and coercion have been eliminated at production establishments where the system of paying wage earners in cash and pegging wages and other expenses to production costs is applied, thus helping directors, cadres, engineers, and workers of these establishments enhance their sense of responsibility, while labor productivity is increasing remarkably. To enable enterprises to continue their operation without relying on subsidization, directors, cadres, and workers of enterprises must take rational measures to carry out production, improve technique, reduce surplus labor, increase labor productivity; and strictly control the economical use of materials, raw materials, fuel, and capital. Some enterprises have even formulated a plan to produce domestic raw materials to replace exorbitantly expensive imported raw materials.

Fourth, many party committee echelons and local administrations have experienced new, visible changes for the better in guiding economic management. They have become more dynamic, flexible, resourceful, urgent-minded, and practical when it comes to dealing with the people's welfare. They have involved themselves much further into such matters as trade, finance, banking, market management, and enterprise management. Various sectors and public organs at the central level have also made great efforts to cooperate with and assist localities in implementing the resolution of the party Central Committee's eighth plenum.

Discarding the centralized, bureaucratic, and subsidy-based system in preparation for embarking on the new system of socialist economic accounting and business transactions, localities in the country have scored some initial success. They have, however, also experienced difficulties and complications, especially in the fields of securing the flow of money, preparing funds, securing the source of goods, marketing goods, managing the market and prices, and organizing the work mechanism and cadre affairs.

In general, there have been no major fluctuations of prices in the country. However, market management has not been firm enough. In some localities and at certain times, there still exist abnormalities. Many recent policy-related problems have not yet been tackled. These problems involve wages that are paid in accordance with the "each according to his work" system; subsistence allowances; additional allowances; and policies toward village cadres, handicraft workers, vegetable growers, mess halls, and day-care centers.

Localities with a high degree of unanimity within their party organizations, with a good record in ideological preparation and in cadre organization, and with relatively good material conditions have been able to minimize difficulties and effect relatively good changes that the masses can easily recognize. Localities with a poor ideological following and with poor handling of goods, money, and technical services have become passive and confused at work and there have been many problems facing them at times.

Facts show that despite its efforts to make improvements, the state-run trade sector has only been able to make slow changes for the better. Its conception of organizing an apparatus of cadres with good marketing skills has not been changed quickly to catch up with requirements arising from the new situation. Therefore, the state-run trade sector has not yet been able to control the market, especially the grain market. It has failed to help achieve the state monopoly of grain trade and to influence prices in the social market.

The demands, taste, and mentality of consumers, including wage earners, now have undergone great changes. Still adopting officialism while selling goods, having goods insufficient to meet the needs of the localities concerned or the people of various strata; and possessing poor-quality goods and poor marketing skills will hamper sale efforts, thus causing capital to stagnate. Furthermore, failure to carry out market transformation and management satisfactorily may lead to a situation in which large amounts of workers and civil servants' salaries slip into the hands of private traders, thus making it impossible for the state to regain the money and control prices.

Those localities that have shifted from the practice of paying wage earners partly in kind to the practice of making wage payment in cash must quickly draw experiences, develop strong points and initial results, overcome shortcomings, and correct things which they have not done satisfactorily in order to maintain production, stabilize the people's lives, and prepare to embark on the new management system.

Those localities which still have not shifted to the practice of making wage payment in cash should do so actively and urgently. One of the pressing tasks that has been imposed on all localities--both those which have already switched and those which have not yet switched to the method of paying wages in cash--is that they must intensively guide the state-operated trade sector in changing its viewpoint and operational method; intensify the control of money and goods; ensure that buying and selling activities are stepped up and carried out in a dynamic, active, civilized, and courteous manner; step up the management of the market, especially the market of grain, food, and other essential commodities; resolutely struggle against rumormongers; severely deal with speculators and smugglers; and remain vigilant against enemy sabotage activities.



Guidance for solving the price-wages-money question should be provided in close combination with guidance for accelerating agricultural production, especially grain production, and industrial, handicraft, and small industrial production, particularly consumer goods production. This is because we are compelled to have the necessary products, goods, and material conditions to solve the price-wages-money question.

The need to intensify and change managerial work at various state-operated industrial enterprises with the aim of achieving high productivity, high quality, and high efficiency has now become a burning question. This question, as seen from certain angles, is more difficult and complicated compared with the task of shifting from the practice of paying wages in kind to the practice of making wage payment in cash.

Many tasks have been laid down for directors and enterprises in preparation for the application of the new management system. These involve formulating supply and consumption plans; ensuring adequate conditions for production; estimating the excessive waste of materials; calculating production costs and other expenses; fixing selling prices; exercising autonomy over fixed and liquid assets; distributing profits and labor norms; fixing unit prices and wages; rearranging production, the management machinery, and the numbers of cadres and workers; and solving the problem of surplus labor.

It is the duty of all party committee and administrative echelons to direct local enterprises in changing their managerial work and to select, appoint, and foster directors with managerial skills and revolutionary quality. Meanwhile, various sectors and organs at the central level are duty-bound to stay close to realities in order to guide, assist, and coordinate with all localities--especially the capital of Hanoi and Ho Chi Minh City--and grass-roots units in making preparations for embarking on the new management system.

Efforts should also be made to help certain localities and grass-roots units overcome great difficulties and solve new problems, including the one involving cash to pay wages or to use as capital for buying and selling goods--particularly grain, food, consumer goods, coal, gasoline, oil, fertilizer, and raw and other materials--to ensure the development of production and stabilize the livelihood of laborers.

With the efforts and close coordination of all sectors and echelons concerned, it is certain that we will be able to satisfactorily carry out the initial step in preparation for switching to the new management system.

CSO: 4209/580



## AGRICULTURE

### RICE PRODUCTION INCREASE FIGURES SINCE 1945

OW081813 Hanoi VNA in English 1455 GMT 8 Aug 85

[Text] Hanoi, 8 Aug (VNA)—Rice culture has been a millenary occupation in Vietnam. But before the August Revolution in 1945, it had seen almost no significant development. At the time, Vietnam had about 3.5-3.8 million hectares of rice fields yielding 1,000-1,700 kg per hectare per crop on usually double-cropping lands. Food production per capita was very low, from 260 to 280 kilos, including 210-230 kg of paddy.

Due to the French, then U.S. aggressions, only after 1975 have the Vietnamese people been able to really start laying the material and technical bases and apply new techniques on a national scale in agriculture, more particularly in rice production.

In 1984, Vietnam grew rice on 5,670,000 hectares with an average yield of 2,750 kg per crop. This included 1,657,000 hectares of winter-spring rice with an average yield of 3,350 kg per crop, 729,000 hectares of summer-autumn rice with an average yield of 3,430 kg per crop and 3,221 hectares of autumn rice with an average yield of 2,300 kg.

Most worthy of note is that the rate of increase in the yield of the winter-spring and summer-autumn rice has been quicker than that of the autumn rice, which has chiefly accounted for the rise of total rice output in the country from 10.2 million tons in 1975 to 15.6 million tons in 1984.

These achievements are due to many factors. First of all, the irrigated rice acreage has expanded eight-fold within 30 years. Before liberation, the south had only 192,000 hectares of rice land serviced by irrigation projects, or 7.6 percent of its rice acreage. In 1984, it was nearly two million hectares, or 62 percent of the rice acreage. In the north, the irrigated rice area in 1984 was 2.3 million hectares, or 93 percent of the total rice acreage. In the whole country, the irrigation projects are servicing 76.3 percent of the rice acreage. Along with the expansion of irrigation, electricity inputs for agriculture have increased by ten fold compared with the whole electricity production of French-ruled Indochina in the past.

Strain is also an important factor. Up to 1984, thousands of rice species have been selected and 62 strains have been experimented with and grown on 77.2 percent of the rice acreage. These strains, including short-term, long-term and medium-term strains, are all high-yielding and pest-resistant. Basing themselves on the physiological characteristics of each strain, agronomists have determined the cropping seasons, soils and farming techniques that best suit it.

Before 1945, 70-90 percent of the rice area in the country were grown without manure. The rest received 2-3 tons of organic manure per hectare. At present, from the northern provinces to the coastal central provinces, each hectare receives from 5 to 15 tons of organic manure, 150-200 kg of nitrogenous fertilizer, 20-40 kg of phosphatous fertilizer, 5-6 kg of potash and 7-10 kg of lime. In the south and the central highlands, a hectare receives 100-200 kg of organic manure, 150-200 kg of phosphatous fertilizer, 3-5 kg of potash and 20-50 kg of lime. Organic manure processed from livestock waste and plants is a remarkable feature of Vietnamese agriculture, especially in the south and the central highlands.

The expansion of the high-yield rice acreage to the present 1.5 million hectares is also a contributing factor to the increase of rice output. Rice yield in these areas is from 1.5 to two times higher than in other areas. New implements and methods of weeding, water conservation and pest-prevention have helped stabilize the yield of many rice growing areas.

The contract quota system which was introduced in recent years and which closely links the farmers responsibility with their interests has been a great incentive for millions of working peasants in the production groups and cooperatives to develop their innovative spirit and apply new scientific and technical advances to further develop rice production.

CSO: 4200/1364

AGRICULTURE

COMMUNIST YOUTH UNION ROLE IN FOOD PRODUCTION

OW101910 Hanoi VNA in English 1449 GMT 10 Aug 85

[Text] Hanoi, 10 Aug (VNA)--More than 2 million young agricultural technicians have been trained so far by the Ministry of Agriculture in coordination with the Central Committee of the Ho Chi Minh Communist Youth Union.

They are working at almost 25,000 specialized teams and hundreds of thousands of technical groups of agricultural cooperatives and production collectives. Their activities are very diversified, ranging from the "youth scientific and technical clubs" to the "work-study schools" and the "scientific and technical research centres" intended to apply new methods and technical advances to agricultural production.

The Ho Chi Minh Communist Youth Union grassroots, in coordination with the cooperatives and production collectives, have set up teams specializing in seed selection, plant protection and manure production. In 1984 alone almost two million young men and women and young pioneers in northern provinces caught 540 tons of harmful insects, thus saving almost 100,000 hectares of rice. In the past four years, the youth and young pioneers in the country have produced 17.6 million tons of compost. These activities of the rural youth made significant contributions to boosting food production by 30 percent.

The youth have also made decisive contributions to expanding the irrigation and drainage network.

CSO: 4200/1364

AGRICULTURE

ACTIVITIES TO GREET ANNIVERSARIES REPORTED

OW091015 Domestic Service in Vietnamese 1100 GMT 5 Aug 85

[Excerpt] Dear friends: In the emulation movement to score achievements in honor of the anniversary of the August Revolution and the national day, 2 September, peasants throughout the country have been actively concentrating efforts on fighting drought, preparing the soil for 10th-month rice cultivation, and tending the summer-fall rice crop.

In Lang Son Province, all installations have been pooling efforts to fight drought and to complete the planting of 35,000 hectares of 10th-month rice on schedule. The province's machinery corporation has mobilized tractors to plow more than 18,000 hectares of rice for cooperatives. To date, Lang Son has planted more than 15,000 hectares of 10th-month rice and completed the early 10th-month rice planting.

More than 74,000 hectares of summer-fall rice in Hau Giang Province are affected by severe drought. Long My, Thanh Tri, and Vinh Chau Districts are mobilizing manpower and other means to fight drought in a vast rice-growing area. The supply sector has provided nearly 1 million liters of gasoline and oil for various installations to fight drought. More than 100 oil and electric pumping stations are operating without interruption in the antidrought struggle. As a result, tens of thousands of hectares of rice in Hau Giang have been saved.

To secure enough water for rice cultivation, the electric power and water conservancy services in Haiphong City, together with those in the suburban districts, have organized inspection of drought-affected areas and put all available water pumping stations into operation while opening sluices to bring water into ricefields. The water conservancy sector deployed cadres from 20 July to 4 August to open sluices and bring water into canals and ditches. An Hai district has excavated canals by removing nearly 7,000 cubic meters of earth in order to bring water to high-level ricefields in anticipation of the planting of the 10th-month and winter rice crops. In the past week, An Hai has used more than 2 million cubic meters of water to fight drought. The pace of planting of the 10th-month rice has doubled over the past days. More than 2,000 hectares of early 10th-month rice have been planted and fertilized and the rice plants are growing well.

Currently, Nghe Tinh Province is providing close guidance in the supply and use of electricity for the antidrought fight. Cam Loc, Thach Ha, Cam Xuyen, and Do Luong Districts are mobilizing manpower and other means as well as water sources to fight severe drought and plant 10th-month rice. Cooperatives have repaired and put 1,500 oil pumping machines into operation. Hundreds of tons of gasoline and oil have been provided for the antidrought fight. Meanwhile, at construction sites and in many factories and enterprises across the country, cadres and workers are concentrating efforts on finishing many new projects and producing large quantities of goods in order to greet the anniversary of the August Revolution and the national day with concrete deeds.

Mechanical work enterprise No 14 of the Ministry of Building has overcome many difficulties in completing many parts of a project on the construction site of the Lao Cai apatite plant. In this project, which involves construction of a 2.4-km long railway and 11 bridges, mechanical work team No 1 completed 50,000 cubic meters of pavement by applying economic accounting in production, deploying manpower rationally, and effectively using vehicles and machines. By working all three shifts, mechanical work team No 2 completed the building of the main mechanical workshop and the ore classification, grinding, and winnowing sections by the end of July. Meanwhile, mechanical work team No 3 is striving to basically complete the building of a 4-km long road by the end of August.

To abolish the bureaucratic and subsidy-based mechanism and switch over to socialist economic accounting, textile mills in Southern Vietnam have endeavored to apply scientific and technical advances in production, change the product mix, and raise product quality.

The Nha Trang thread factory, along with supplying thread, has created new sources of materials for textile mills throughout the country. The factory has produced as many as 2,000 tons of thread in the first half-year.

By renovating the management mechanism, the Hanoi locomotive enterprise of the Railroad General Department has succeeded in reducing the coal consumption rate from 815 to 745 kg per 10,000 km. Once every 10 days, the enterprise makes a periodical assessment to give awards to those mechanical sections that have reduced the coal consumption rate. In the first 10 days of July, two-thirds of the stations and all the six driver teams of the enterprise have succeeded in reducing the coal consumption rate. In particular, the Hanoi Railroad car section has saved more than 89,000 tons of coal.

Implementing the party Central Committee's resolution No 8 on prices, wages, and money, to date 28 provinces and cities in the entire country have replaced payment in kind with payment in money. To create conditions for proper implementation, the financial, banking, and trading



sectors have striven to apply all measures available to secure enough money for payment to cadres and office employees.

Hoan Kiem district of Hanoi Municipality has directed the banking and financial sectors to secure money by launching a savings deposit campaign. As of 31 July, the entire district's savings had reached 292 million dong, the highest amount in the entire country. In the first 2 days of August, the district's cadres and people deposited an additional 2.5 million dong. From 28 July through 2 August, 28 trade and production units in Dong Da District deposited more than 5.4 million dong at state banks.

By making adequate preparations and heightening the sense of responsibility, Hai Hung Province has secured enough money to pay wages to cadres and workers. Although procedures have not yet been completed, payment of wages has been made promptly to a number of central-level cadres.

The network of state stores, including food and supply stores, has achieved initial progress in trade and service activities. Nearly 200 more salespoints have been set up. Salespersons have been encouraged to serve customers in a civilized, courteous, and better manner.

After 1 month of applying the system of indexing wages according to cost-of-living increases, market prices in Hai Hung province have stabilized and prices of a number of commodities such as foodstuffs, meat, and fish have somewhat gone down.

Lately various corporations of the Ministry of Home trade have been stepping up exploitation of all sources of commodities to ensure supply to localities and especially Hanoi City. To date, the farm products corporation has delivered to the city 100 million dong worth of soybeans to be processed into soy sauce and beancurd for consumption until the end of 1985. The industrial foods corporation has supplied enough sugar for sale in Hanoi. The Duy Khanh food corporation's amount of meat delivered to Hanoi City in July was double of that supplied in June, sufficient for everyday sales. Meanwhile, the salt corporation has supplied an additional 1,000 tons of salt to Hanoi. The kerosene, tobacco, thread, cloth, electrical machinery, and aquatic products corporations are striving to supply additional amounts of merchandise to the Hanoi Trade service. In July, the sundry goods corporation supplied Hanoi City with an amount of goods many times larger than in previous months. With the amounts of merchandise supplied by the various central corporations and localities, the state stores and marketing cooperatives in Hanoi, after a few days of applying the system of indexing wages according to cost-of-living increases, have secured good conditions to better serve customers, control the market and goods, and stabilize prices. [Passage omitted on sports achievements in some localities]



AGRICULTURE

40 YEARS OF WATER CONSERVATION WORK REVIEWED

OW080745 Hanoi VNA in English 0658 GMT 8 Aug 85

["Forty Years of Water Conservation Work in Vietnam--by Engineer Vu Khac Man, Chairman, Scientific Council, Ministry of Water Conservation"--VNA headline]

[Text] Hanoi, 8 Aug (VNA)--After the victorious August Revolution of 1945, the Vietnamese people had to fight against a very big flood which submerged 300,000 hectares of rice, threatening a great famine.

At the call of the Communist Party and state headed by President Ho Chi Minh, the entire Vietnamese people launched a water conservation campaign, reinforcing dykes and overcoming the consequences of the flood, restored production and staved off famine.

From then on the conservation work has not ceased to develop and widen.

During the anti-French war of resistance the dyke system was further strengthened, many irrigation projects destroyed by the enemy had been repaired and restored.

Following the restoration of peace in North Vietnam in 1954, more investments were made in the water conservation work, in coordination with the movement for collectivization of agriculture and the training of a contingent of conservancy workers.

From a small group in 1954, this contingent now includes thousands of hydraulics engineers, tens of thousands of college graduates and technical workers, hundreds of masters of sciences, professors and associate professors and dozens of irrigation teams.

Many post-graduates have been trained on essential subjects such as hydrology, industrial and agricultural irrigation, hydroelectricity, civil engineering, irrigation machines and economics. With this contingent, Vietnam has built an irrigation system from the centre to the grassroots.

Under French colonial rule, Vietnam had only one water reservoir, the 7 million cubic-metre Xuan Duong reservoir, a number of electric pumping stations and small irrigation systems. Today, it already has 3,500 small reservoirs, 650 big and medium-sized ones, some of which with a capacity of several hundred million cubic metres, more than 2,000 electric pumping stations with a total capacity of 180,000 kw for irrigation and 230,000 kw for drainage.

The whole system of irrigation projects now can water 2.2 million hectares of farmland, drain 850,000 hectares and keep out saline water from 700,000 hectares. The dyke system can prevent the biggest flood ever recorded in northern Vietnam.

Since the liberation of South Vietnam in 1975, the water conservation work has been developed in the whole country. Many irrigation projects such as Phu Ninh, Nam Thach Han and Nui Mot, etc., have been built in the south. The Dau Tieng reservoir, the biggest irrigation project in Vietnam, has opened the prospect for all-round development of agriculture on large areas in southeastern Vietnam.

The orientation for promoting the water conservation work in the Mekong River Delta has been laid. The irrigation work is helping to strengthen the socialist production relations in southern Vietnam.

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HEALTH, EDUCATION AND WELFARE

REVIEW OF EDUCATION FOR 1975-1985 PERIOD

OW071850 Hanoi VNA in English 1450 GMT 7 Aug 85

[Text] Hanoi, 7 Aug (VNA)--Following are excerpts from an article reviewing the development of general education since the reunification of the country in 1976 written by Mrs Nguyen Thi Binh, minister of education, and published in the latest issue of the TAP CHI CONG SAN (COMMUNIST REVIEW):

Before the August revolution, education was but a tool of enslavement in the hands of the colonialists and feudalists. Ninety-five percent of the Vietnamese people were illiterate. In 1955, following the defeat of the French colonialists, barely 20 percent of the children in the north could afford schooling. The figure rose to more than 90 percent in 1975.

Today, hundreds of thousands of pupils graduate each year from basic and secondary general schools (9th and 12th grades of the 12-year general education system--ed).

After the complete liberation of South Vietnam in 1975 and especially the reunification of the country in [words indistinct] the schools of the former neocolonialist regime in the south along socialist lines while beginning to build a unified socialist education system throughout the country, thus contributing to stabilizing the political and social situation in the newly-liberated zones. Big and all-round achievements have been obtained. Worthy of note is that after the political bureau of the Communist Party of Vietnam adopted a resolution on educational reform, the educational service has embarked on a new direction to serve socialist construction and national defence ever more effectively.

The kindergarten population rose from 780,000 in 1976 to 1.6 million at present or 33 percent of the children of school age. The corresponding figures for southern provinces are 240,000 and 590,000.

In general education, marked increases have been recorded in the numbers of both pupils and schools, especially the number of pupils in southern provinces:

Region	Basic General Schools		Secondary General Schools	
	1976-77	1983-84	1976-77	1983-84
North	6,000,000	5,700,000	353,000	474,000
South	4,200,000	5,350,000	178,000	241,000
Total	10,200,000	11,050,000	531,000	715,000

To well prepare the younger generation for the two parallel strategic tasks of socialist construction and defence of the socialist fatherland, the Ministry of Education has directed the general education schools to closely link teaching and study with the life and socioeconomic targets of the whole country as well as in each locality.

Education on labour, general techniques and vocational guidance have yielded encouraging initial results. Most schools have cooperated with the local administrations, services and production establishments in vocational guidance and in providing suitable jobs for general education graduates.

In adult education, after the liberation of South Vietnam a movement for eradication of illiteracy, which bore a marked mass and revolutionary character, was launched. By December 1978, 1.4 former illiterates had learned to read and write. The "cultural light" campaign, for its part, has made important contributions to developing education among ethnic minorities in the mountainous regions.

So far universalization of primary education has been basically completed in 11 delta midland and mountain provinces in the north. Many localities have opened and are increasing the number of specialized courses on the application of scientific, technical and cultural knowledge to production and life. The network of off-service refresher courses is expanding at all levels: district, village or group of villages.

All this has greatly helped to raise the general cultural standard of the cadres and people, and effectively contributed to the fight against backward and harmful customs and habits and the building of a new lifestyle.

Expansion of the network of teachers training schools is continued, especially in the southern provinces. There are now in the whole country 144 teachers training schools (8 colleges and 24 high schools) and a system of schools for educational administration at the centre and in the localities as well. The contingent of school teachers continues to increase in both quantity and quality.

Teachers	Dec 1975	North	South	Total
Kindergarten	32,000	40,600	189,985	59,585
Basic general schools	159,500	205,709	144,881	350,590
Secondary general schools	15,700	24,212	11,165	35,377

Of the nearly half million teachers of all educational levels, hundreds are doctors, candidate doctors and professors. By the end of the 1983-84 school-year, 42 percent of basic general school teachers had gotten high school education and 84 percent of the secondary general school teachers had received college education.

Ten years of building and development of a unified education have brought about useful lessons especially the need to carry out all-round education, the forming of socialist virtues central to which is the raising of the political consciousness and revolutionary virtues among the youth and teenagers to help them acquire necessary scientific and technical knowledge and improve their professional skills to meet the requirements of social and economic development in the whole country and in each locality.

A fundamental question at present is to train men and women armed with ardent patriotism and socialist ideology, firm scientific knowledge and technical skills so that they can progress quickly in a given profession which must respond to the labour division program in their localities and the country as a whole, correspond with the general socioeconomic level of the country. In other words, education must develop in line with the needs of socio-economic development and national defence and in conformity with the plan of using school-leaving students.

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